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UNITED STATES OF AMERICA

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# Foreign Relations of the United States 1951

## Volume I

## National Security Affairs; Foreign Economic Policy


*Editors*

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# PREFACE

Fredrick Aandahl supervised the planning and compilation of this volume. William Z. Slany succeeded him as editor in 1975 and directed the process of review, declassification, and final editing. Ralph R. Goodwin and Neal H. Petersen provided assistance in planning and direction.

Mr. Petersen compiled and edited the sections on regulation of armaments, national security policy, atomic energy, foreign assistance programs, and efforts to strengthen the United Nations against future aggression. Mr. Petersen also collaborated with Harriet D. Schwar in preparing the section on discussions with the United Kingdom and Canada regarding the danger of general war with the Soviet Union. Mrs. Schwar compiled and edited the documents on the international information program and on the Polar Regions. Carl N. Raether prepared the section on petroleum policy, and John A. Bernbaum that on East-West trade controls. Mr. Goodwin compiled and edited the sections on the following subjects: the forms of U.S. foreign economic policy; treaties of friendship, commerce, and navigation; matters relating to the General Agreement on Tariffs and Trade; foreign economic policy; the Point Four Program; land reform in foreign areas; and questions pertaining to the delimitation of the territorial sea. The technical editing of the volume was done by the Publishing and Reproduction Division (Paul M. Washington, Chief) under the immediate supervision of Anne K. Pond. Francis C. Prescott prepared the index.

The editors acknowledge with appreciation the assistance provided them by the historians of the Department of Defense, including those of the Joint Chiefs of Staff, and by the historians of the Department of Energy. They are also grateful for the cooperation of the National Security Council, the Department of Defense, the Central Intelligence Agency, and the Department of Energy, all of which facilitated declassification of papers for release in this volume.

David F. Trask
*The Historian*
*Bureau of Public Affairs*



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## Principles for the Compilation and Editing of "Foreign Relations"

The principles which guide the compilation and editing of *Foreign Relations* are stated in Department of State Regulation 2 FAM 1350 of June 15, 1961, a revision of the order approved on March 26, 1925, by Mr. Frank B. Kellogg, then Secretary of State. The text of the regulation, as further amended is printed below:

### 1350 Documentary Record of American Diplomacy

#### 1351 *Scope of Documentation*

The publication *Foreign Relations of the United States* constitutes the official record of the foreign policy of the United States. These volumes include, subject to necessary security considerations, all documents needed to give a comprehensive record of the major foreign policy decisions within the range of the Department of State's responsibilities, together with appropriate materials concerning the facts which contributed to the formulation of policies. When further material is needed to supplement the documenation in the Department's files for a proper understanding of the relevant policies of the United States, such papers should be obtained from other Government agencies.

#### 1352 *Editorial Preparation*

The basic documentary diplomatic record to be printed in *Foreign Relations of the United States* is edited by the Historical Office, Bureau of Public Affairs of the Department of State. The editing of the record is guided by the principles of historical objectivity. There may be no alteration of the text, no deletions without indicating where in the text the deletion is made, and no omission of facts which were of major importance in reaching a decision. Nothing may be omitted for the purpose of concealing or glossing over what might be regarded by some as a defect of policy. However, certain omissions of documents are permissible for the following reasons:

*a.* To avoid publication of matters which would tend to impede current diplomatic negotiations or other business.
*b.* To condense the record and avoid repetition of needless details.
*c.* To preserve the confidence reposed in the Department by individuals and by foreign governments.
*d.* To avoid giving needless offense to other nationalities or individuals.
*e.* To eliminate personal opinions presented in despatches and not acted upon by the Department. To this consideration there is one qualification—in connection with major decisions it is desirable, where possible, to show the alternatives presented to the Department before the decision was made.

#### 1353 *Clearance*

To obtain appropriate clearances of material to be published in *Foreign Relations of the United States*, the Historical Office:

*a.* Refers to the appropriate policy offices of the Department and of other agencies of the Government such papers as appear to require policy clearance.

*b.* Refers to the appropriate foreign government requests for permission to print as part of the diplomatic correspondence of the United States those previously unpublished documents which were originated by the foreign governments.

# CONTENTS


| | Page |
|---|---|
| PREFACE | III |
| LIST OF ABBREVIATIONS AND SYMBOLS | IX |
| United States national security policy: U.S. objectives and programs for national security; estimates of threats to the national security; military posture and foreign policy; organization for national security | 1 |
| United States foreign assistance programs: the development of the Mutual Security Program | 266 |
| United States policy with respect to the regulation of armaments | 443 |
| United States policy with respect to proposals for strengthening the United Nations system in order to meet future aggression; the work of the Collective Measures Committee | 616 |
| Foreign policy aspects of United States development of atomic energy | 685 |
| Discussions with the United Kingdom and Canada regarding the danger of general war with the Soviet Union and the use of United States bases in the United Kingdom and Canada in the event of general war | 802 |
| The United States international information program | 902 |
| United States policies with respect to petroleum | 966 |
| United States policy on trade with Eastern Europe and the Soviet Union; efforts to achieve an international security export policy | 993 |
| The forms of United States foreign economic policy: the impact of the United States defense effort upon United States international economic relationships | 1225 |
| Progress of the programs for the modernization of the treaties of friendship, commerce, and navigation; and the negotiation of conventions for the avoidance of double taxation | 1233 |
| Matters relating to the General Agreement on Tariffs and Trade (GATT): | |
| I. The Torquay Protocol of April 21, 1951: the article XXVIII negotiations with France at Torquay; the negotiating impasse with the Commonwealth countries at Torquay regarding the question of imperial preferences | 1245 |
| II. United States initiatives regarding events at Torquay leading to the holding of the Special Session of the Contracting Parties to GATT at Torquay, March 29–April 3, 1951 (the question of European tariff disparities) | 1319 |
| III. The Trade Agreements Extension Act of June 16, 1951 | 1373 |
| IV. Termination of obligations between the United States and Czechoslovakia under GATT (the Sixth Session of the Contracting Parties to GATT) | 1381 |
| V. Representations by other governments to the United States regarding section 104 of the Defense Production Act Amendments of 1951, and section 22 of the Agricultural Adjustment Act of 1933, as amended (the Sixth Session of the Contracting Parties to GATT) | 1424 |

Page

Matters relating to the General Agreement on Tariffs and Trade—Con.
VI. The question of Belgian restrictions placed on imports from the dollar area (the Sixth Session of the Contracting Parties to GATT) . . . . . 1478
VII. United States "escape clause" actions under article XIX of the General Agreement (1950–1951) and section 7 of the Trade Agreements Extension Act of 1951 (1951–1952); the President's report to the Congress on trade agreement escape clauses, January 10, 1952 . . . . . 1522
Matters relating to the foreign financial policy of the United States . . . 1573
The Point Four program . . . . . 1641
United States policy regarding land reforms in foreign areas . . . . . 1666
United States policy regarding the delimitation of the territorial sea and related matters . . . . . 1685
United States policy with regard to the polar regions . . . . . 1715

INDEX . . . . . 1739

# LIST OF ABBREVIATIONS AND SYMBOLS

EDITOR'S NOTE.—This list does not include standard abbreviations in common usage; unusual abbreviations of rare occurrence which are clarified at appropriate points; and those abbreviations and contractions which, although uncommon, are understandable from the context.

**A–**, Airgram
**ACEP**, Advisory Committee on Export Policy
**AEC**, Atomic Energy Commission
**AF**, Office of African Affairs, Department of State
**Agric**, United States Department of Agriculture
**AIOC**, Anglo-Iranian Oil Company
**Amb**, Ambassador
**AMC**, Additional Measures Committee of the United Nations
**AmEmb**, American Embassy
**A/MS**, Management Staff, Bureau of Administration, Department of State
**APS**, Agricultural Products Staff, Office of International Materials Policy, Department of State
**ARA**, Bureau of Inter-American Affairs, Department of State
**Benelux**, Belgium, the Netherlands, Luxembourg
**BNA**, Office of British Commonwealth and Northern European Affairs, Department of State
**BOT**, Board of Trade (British)
**BPT**, Business Practices and Technology Staff, Office of Economic Defense and Trade Policy, Department of State
**BW**, biological warfare
**CCC**, Commodity Credit Corporation
**CCF**, Chinese Communist Forces
**CD**, North Atlantic Council Deputies
**CE**, Central Europe
**CEA**, Council of Economic Advisers
**CFM**, Council of Foreign Ministers
**CG**, Paris Consultative Group of nations working to control export of strategic goods to Communist countries
**CIA**, Central Intelligence Agency
**circDeptel**, circular Department of State telegram
**cirtel**, circular telegram
**CNO**, Chief of Naval Operations
**COCOM**, Coordinating Committee of the Paris Consultative Group of nations working to control export of strategic goods to Communist countries
**CP**, Commercial Policy Staff, Office of Economic Defense and Trade Policy, Department of State
**CP's**, Contracting Parties to GATT, acting as a collective body
**CW**, chemical warfare
**DCI**, Director of Central Intelligence
**Del**, Delegate; Delegation
**Delga**, series indicator for telegrams from the United States Delegation to the United Nations General Assembly
**Deltel**, Delegation telegram
**Depcirtel**, Department of State circular telegram
**Deptel**, Department of State telegram
**Depto**, series indicator for telegrams from the United States Deputy Representative to the North Atlantic Council
**DirGen**, Director General
**Dom Rep**, Dominican Republic
**DOT**, dependent overseas territory
**DPA**, Defense Production Administration
**DPB**, Defense Production Board, North Atlantic Treaty Organization
**DRE**, Division of Research for Europe, Department of State
**E**, Office of the Assistant Secretary of State for Economic Affairs

**E/ITR**, Office of International Trade and Resources, Department of State
**ECA**, Economic Cooperation Administration
**ECA/W**, headquarters of the Economic Cooperation Administration in Washington
**Ecato**, series indicator for telegrams from the Economic Cooperation Administration in Washington to its missions abroad
**ECC**, European Coordinating Committee
**ECE**, Economic Commission for Europe
**ECOSOC**, Economic and Social Council of the United Nations
**EDF**, European Defense Force
**EDS**, Economic Defense Staff, Office of Economic Defense and Trade Policy, Department of State
**EDT**, Office of Economic Defense and Trade Policy, Department of State
**EE**, Office of Eastern European Affairs, Department of State
**Emb**, Embassy
**Embdesp**, Embassy despatch
**Emboff**, Embassy office
**Embtel**, Embassy telegram
**E.O.**, Executive Order
**EPU**, European Payments Union
**ER**, Economic Resources and Security Staff, Office of International Trade Policy, Department of State
**ERP**, European Recovery Program
**EUR**, Bureau of European Affairs, Department of State
**Eur**, Europe
**E–W**, East–West
**Excon**, designation for telegrams dealing with the export control program; export control
**Exim** (Ex-Im Bank), Export-Import Bank of Washington
**Ext Aff Secy**, External Affairs Secretary
**FAO**, Food and Agricultural Organization
**FCDA**, Federal Civil Defense Administration
**FCN**, Friendship, Commerce, and Navigation (treaty)
**FE**, Bureau of Far Eastern Affairs, Department of State
**FEB**, Financial and Economic Broad, North Atlantic Treaty Organization
**FedRep**, Federal Republic of Germany
**Fon Aff**, Foreign Affairs
**FonMin**, Foreign Minister
**FonOff**, Foreign Office
**F.R.**, *Federal Register*
**FY**, fiscal year
**FYI**, for your information
**GA**, General Assembly
**Gadel**, series indicator for telegrams to the United States Delegation to the United Nations General Assembly
**GATT**, General Agreement on Tariffs and Trade
**GSA**, General Services Administration
**GTI**, Office of Greek, Turkish, and Iranian Affairs, Department of State
**H**, Office of the Assistant Secretary of State for Congressional Relations
**HICOG**, United States High Commissioner for Germany
**HICOM**, High Commission(er) for Germany
**H.R.**, designation for legislation introduced in the House of Representatives
**IAC**, Intelligence Advisory Committee
**IADB**, Inter-American Defense Board
**IBRD**, International Bank for Reconstruction and Development
**ICIS**, Interdepartmental Committee on Internal Security
**ICITO**, Interim Commission, International Trade Organization
**IE**, Intelligence Estimate
**IIAA**, Institute of Inter-American Affairs
**IIC**, Interdepartmental Intelligence Conference
**IL**, International List (of embargoed goods)
**IMC**, International Materials Conference
**IMF**, International Monetary Fund
**instrcs**, instructions
**IO**, Bureau of International Organization Affairs, Department of State
**IRM**, International Raw Materials Staff
**ISAC**, International Security Affairs Committee
**ITO**, International Trade Organization
**ITP**, Office of International Trade Policy, Department of State
**JCS**, Joint Chiefs of Staff

**KMT,** Kuomintang (Nationalist Party), Republic of China

**L/E,** Assistant Legal Adviser for Economic Affairs, Department of State

**L/SPF,** Assistant Legal Adviser for Special Political Functions, Department of State

**Leg,** Legation

**Legtel,** Legation telegram

**MATS,** Military Air Transport Service

**MDAC,** Mutual Defense Assistance Control Act of 1951

**MDAP,** Mutual Defense Assistance Program

**MFN,** most favored nation

**Min Ext Affairs,** Minister for External Affairs

**Min Fon Trade,** Minister of Foreign Trade

**Min Ind,** Minister for Industry

**MMS,** Metals and Minerals Staff, Office of International Materials Policy, Department of State

**MN's,** multilateral negotiations

**MPS,** Manufactured Products Staff, Office of International Materials Policy, Department of State

**MSA,** Mutual Security Agency

**MTDP,** Medium Term Defense Plan

**mytel,** my telegram

**NA,** Office of Northeast Asian Affairs, Department of State

**NAC,** National Advisory Council on International Monetary and Financial Problems

**NAT(O),** North Atlantic Treaty (Organization)

**NE,** Office of Near Eastern Affairs, Department of State

**NEA,** Bureau of Near Eastern, South Asian, and African Affairs, Department of State

**NEDS,** Near East Development Service

**niact,** night action, communications indicator requiring attention by the recipient at any hour of the day or night

**NIE,** National Intelligence Estimate

**NPA,** National Production Authority

**NSC,** National Security Council

**NSRB,** National Security Resources Board

**NZ,** New Zealand

**OAS,** Organization of American States

**ODM,** Office of Defense Mobilization; also designation for documents of the Defense Mobilization Board

**OEEC,** Organization for European Economic Cooperation

**OIR,** Office of Intelligence Research, Department of State

**OIT,** Office of International Trade, Department of Commerce

**OLI,** Office of Libraries and Intelligence-Acquisition, Department of State

**OMP,** Office of International Materials Policy, Department of State

**ONE,** Office of National Estimates

**OPC,** Office of Policy Coordination, Central Intelligence Agency

**ourtel,** our telegram

**OSA,** Office of South American Affairs, Department of State

**OSR,** Office of the United States Special Representative in Europe under the Foreign Assistance Act of 1948

**PAD,** Petroleum Administration for Defense

**PED,** Petroleum Policy Staff, Office of International Materials Policy, Department of State

**P.L.,** Public Law

**PSF,** President's Secretary's File

**PW,** prisoner of war

**QC,** quantitative control

**QR,** quantitative restriction(s)

**reDepcirtel,** regarding Department of State circular telegram

**reEmbs,** regarding Embassy's

**Repto,** series indicator for messages to the Economic Cooperation Administration headquarters in Washington from the United States Special Representative in Europe under the Foreign Assistance Act of 1948

**reurtel,** regarding your telegram

**RFC,** Reconstruction Finance Corporation

**S/ISA,** Office of International Security Affairs, Department of State

**S/P,** Policy Planning Staff, Department of State

**S/S,** Executive Secretariat, Department of State

**SE,** Special Estimate

**Sec. 22,** section 22 of the Agricultural Adjustment Act

**SHAPE,** Supreme Headquarters, Allied Powers, Europe

**SKF,** *Svenska Kullagerfabriken, AB*

**SOA,** Office of South Asian Affairs, Department of State

**SoAfr,** Union of South Africa

**SUSRep,** Senior United States Representative, North Atlantic Treaty Military Production Supply Board

**T/O and E,** Table of Organization and Equipment

**TA,** trade agreement

**TAC,** Interdepartmental Committee on Trade Agreements

**Tagg,** series indicator for telegrams to the United States Delegation at the meetings of the Contracting Parties of the General Agreement on Tariffs and Trade

**TarCom,** United States Tariff Commission

**TC,** United States Tariff Commission

**TCA,** Technical Cooperation Administration, Department of State

**TCC,** Tariff Commission Chairman

**TCC,** Temporary Council Committee

**TIAS,** Treaties and Other International Acts Series

**TNC,** Tariff Negotiations Committee

**Todep,** series indicator for telegrams to the United States Deputy Representative to the North Atlantic Council

**Toeca,** series indicator for telegrams to the Economic Cooperation Administration in Washington from its missions abroad

**Toisa,** designation for telegrams dealing with matters within the responsibility of the Director, International Security Affairs, Department of State

**Tosec,** series indicator for telegrams from the Department of State to the Secretary of State or his Delegation in connection with conferences of Foreign Ministers

**Treas,** Department of the Treasury

**TRI,** United States, United Kingdom, and France (within the Paris Consultative Group)

**U/FW,** Special Assistant to the Under Secretary of State (Fisheries and Wildlife)

**UKDel,** United Kingdom Delegation

**UM,** designation for documentation circulated in the Under Secretary of State's Meetings; Under Secretary's Meeting

**UN,** United Nations

**UNA,** Bureau of United Nations Affairs, Department of State

**UNGA,** United Nations General Assembly

**UNP,** Office of United Nations Political and Security Affairs, Department of State

**UNRRA,** United Nations Relief and Rehabilitation Administration

**urinfo,** your information

**urtel,** your telegram

**USAF,** United States Air Force

**USDel,** United States Delegation

**USDep,** United States Deputy Representative

**USN,** United States Navy

**USTAC,** United States Interdepartmental Committee on Trade Agreements

**WE,** Office of Western European Affairs, Department of State; Western Europe

**WG,** Working Group

**WP,** Working Party

# UNITED STATES NATIONAL SECURITY POLICY: U.S. OBJECTIVES AND PROGRAMS FOR NATIONAL SECURITY; ESTIMATES OF THREATS TO THE NATIONAL SECURITY; MILITARY POSTURE AND FOREIGN POLICY; ORGANIZATION FOR NATIONAL SECURITY [1]

*Editorial Note*

A substantial portion of the documentation appearing in the *Foreign Relations* series for 1951 concerns subjects of relevance to the national security. Documentation in the present compilation is related to the formulation of high level, general policy. This material should be considered in connection with papers on specific issues and areas found elsewhere in the *Foreign Relations* volumes. The following compilations are of particular importance in relation to the material presented here.

For documentation on foreign aid, and in particular the origins of the Mutual Security Program, see pages 266 ff. For material on United States policy with respect to the regulation of armaments, see pages 443 ff. For documentation on discussions with the United Kingdom and Canada concerning the danger of general war with the Soviet Union, see pages 802 ff. Regarding other foreign policy aspects of United States development of atomic energy, see pages 685 ff. For documentation on East-West trade, see pages 993 ff.

United States policy with respect to the defense of the Western Hemisphere is treated in volume II. For documentation on United States participation in the North Atlantic Treaty Organization, European security, and the German question, see volume III. Compilations on general United States policy toward Eastern Europe, on events of significance in the relations of the Soviet Union with other nations (particularly the United States), and on United States relations with the United Kingdom, including material on political-military questions are presented in volume IV.

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[1] Continued from *Foreign Relations*, 1950, vol. I, pp. 126 ff. For information on United States organization for national security, including extensive material on the administrative structure and functions of the National Security Council, see *Organizing for National Security:* Inquiry of the Subcommittee on National Policy Machinery, Senator Henry M. Jackson, Chairman, for the Committee on Government Operations, United States Senate, 3 vols. (Washington, Government Printing Office, 1961), particularly volume 2 (*Studies and Background Materials*).

For documentation on United States national security policy as regards the Near East and Africa, see volume V. For documentation regarding Japan and the Japanese peace treaty, Indochina, general United States policies with respect to the East Asian-Pacific area and South Asia, and negotiation of security treaties with the Philippines, Australia, and New Zealand, see volume VI, Parts 1 and 2. Volume VII is devoted to the Korean War and to United States policy regarding China.

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Truman Library, Truman Papers, PSF–Subject File [1]

*Memorandum by the Director of Central Intelligence (Smith) to the National Security Council*

TOP SECRET WASHINGTON, 11 December 1950.

Subject: Probable Soviet Reaction to Full-Scale U.S. Mobilization

1. The USSR is aware that its policies are causing mounting concern in the U.S. and, at least since the outbreak of the Korean war, are producing increasing U.S. military preparations. An announcement of plans for full-scale U.S. mobilization, therefore, would hardly come as a complete surprise to Soviet leaders, and such a possibility has probably been considered by Soviet planners.

2. If the USSR intends deliberately to provoke global war in the near future (within six to eighteen months), an announcement of full-scale U.S. mobilization probably would result merely in an adjustment of the Soviet time-table. The USSR would time its attack to take advantage of its optimum relative preparedness, and to precede the date at which U.S. mobilization measures began to produce major results.

3. If the USSR neither intends itself to provoke global war in the near future, nor expects the U.S. to do so, an announcement of full-scale U.S. mobilization probably would not immediately affect Soviet plans. Since the possibility of such a U.S. move must have been anticipated, the announcement would, in itself, hardly cause the Kremlin immediately to alter its estimate of U.S. intentions. Soviet leaders probably would take advantage of the period between the U.S. announcement and the first concrete results of the program to study its effects and implications. During this period the USSR probably would intensify its own military preparedness efforts, and would intensify its efforts to divide and weaken the Western Powers by:

(*a*) Playing upon the war fears of the Western Europeans, and thus attempting to alienate them from the U.S.;

(*b*) Extending "peace" overtures and diplomatic feelers for four-power conversations, for separate Soviet accords with individual Western nations, and for disarmament discussions in the UN;

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[1] President's Secretary's File.

(*c*) Inspiring industrial disturbance and possibly sabotage in U.S. and Western European defense, transportation and communication industries; and

(*d*) Possibly directing further local Communist aggression in the Far East or elsewhere.

If, despite the foregoing Soviet measures, and despite the many other obstacles to effective U.S. mobilization upon which the Kremlin probably relies, the U.S. program promises materially to improve the relative U.S. power position, and the Western Allies appear united and firm, Soviet tactics may shift materially. Under these conditions, the Kremlin might:

(*a*) Ostensibly soften its policy, and perhaps offer material concessions to the West in order to reduce international tension, forestall the completion of the U.S. program, disrupt the U.S. economy, and gain credit for the USSR as the champion of peace;

(*b*) Attempt to seize the initiative by launching an immediate Soviet attack on the U.S. or its allies, in the belief either that a U.S. decision to attack the Soviet Union had been reached, or that the successful completion of the U.S. program would constitute an intolerable obstacle to the attainment of Soviet objectives.

4. If the USSR does not intend deliberately to provoke global war in the near future, but estimates that the U.S. is likely to do so, an announcement of full-scale U.S. mobilization might result in a Soviet attempt to seize the initiative by an early attack on the U.S. or its allies, as the alternative to making concessions which would reduce this likelihood.[2]

W. B. Smith

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[2] On December 16, 1950, President Truman issued Proclamation 2914: Proclaiming the Existence of a National Emergency. For text, see *Public Papers of the Presidents of the United States: Harry S. Truman, 1950*, pp. 746–747. For documentation on the proclamation of a national emergency and on U.S. estimates of the danger of war with the Soviet Union and the People's Republic of China during 1950, see *Foreign Relations*, 1950, vol. 1, pp. 126 ff.

Truman Library, Truman Papers, PSF–Subject File

*National Intelligence Estimate* [1]

SECRET [WASHINGTON,] 11 December 1950.
NIE–15

PROBABLE SOVIET MOVES TO EXPLOIT THE PRESENT SITUATION [2]

1. USSR–Satellite treatment of Korean developments indicates that they assess their current military and political position as one of great strength in comparison with that of the West, and that they propose to exploit the apparent conviction of the West of its own present weakness.

2. Moscow, seconded by Peiping with regard to the Far East, has disclosed through a series of authoritative statements that it aims to achieve certain gains in the present situation:

*a.* Withdrawal of UN forces from Korea and of the Seventh Fleet from Formosan waters.
*b.* Establishment of Communist China as the predominant power in the Far East, including the seating of Communist China in the United Nations.
*c.* Reduction of Western control over Japan as a step toward its eventual elimination.
*d.* Prevention of West German rearmament.

3. Moscow has given no real indication that it will compromise on any one of these points. At the same time it has shown that it intends to press without pause for such closely related objectives as destruction of working unity among the Western powers and thereby isolation of the US; the splitting of the Western peoples from their governments to the immediate end that Western efforts to rearm and the Western will to use atomic weapons will be undermined; elimination of the Western foothold in Southeast Asia; the minimization of British-American influence in the Near and Middle East.

4. Moscow has indicated that in attempting to capitalize on the present situation it intends to rely primarily upon a continuation of

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[1] National Intelligence Estimates (NIEs) were high-level interdepartmental reports presenting authoritative appraisals of vital foreign policy problems. NIEs were drafted by officers from those agencies represented on the Intelligence Advisory Committee (IAC), discussed and revised by interdepartmental working groups coordinated by the Office of National Estimates (ONE) of the Central Intelligence Agency (CIA), approved by the IAC, and circulated under the aegis of the CIA to the President, appropriate officers of cabinet level, and the National Security Council. The Department of State provided all political and some economic sections of NIEs.

[2] A note on the cover sheet of this estimate reads as follows: "Advance copy. In order to expedite delivery, this estimate is being given a special preliminary distribution. The final printed copy will be disseminated as soon as available. The intelligence organizations of the Departments of State, the Army, the Navy, and the Air Force participated in the preparation of this estimate and concur in it. This paper is based on information available on 11 December 1950."

pressures rather than upon negotiation. As in previous tense situations, Moscow has continued to assert complete willingness to meet with the Western powers at any time and on 3 November specifically requested a Four Power meeting on Germany. On the other hand, several of the evaluations currently being publicized by Moscow suggest, through their emphasis on US confusion and Western European pressure for compromise, a Kremlin estimate that circumstances strongly favor Soviet success in any conference that might be held. The Kremlin has given clear indication that its pose with respect to the desirability of big power talks is designed to strengthen its pretentions as the champion of a "peaceful settlement," and does not reflect a Soviet intention actually to rely upon a conference approach, or to treat a conference as anything more than a place to consolidate gains already won or being won by direct action.

5. It can be anticipated that irrespective of any Western moves looking toward negotiations, assuming virtual Western surrender is not involved, the Kremlin plans a continuation of Chinese Communist pressure in Korea until the military defeat of the UN is complete. A determined and successful stand by UN forces in Korea would, of course, require a Soviet re-estimate of the situation.

6. The scope of Soviet bloc preparations and the nature and extent of Soviet Communist official statements and propaganda raise the question of Soviet or Satellite moves in other areas. The points that appear most critical are Berlin and Germany, Indochina, Yugoslavia, and Iran.

7. The Soviet Union has gone on record that it "will not tolerate" and "will not allow" West German rearmament. It has made clear that it considers that the only means through which it can be assured that German rearmament will not in fact be brought about is through the establishment of a united Germany in accordance with the Praha program (i.e., in such a way as to insure Communist domination of the whole of Germany).

8. The Soviet Union is currently increasing greatly the tempo of its pressure and agitation over Germany, particularly concentrating on building up a war scare in West Germany and Western Europe as a whole. Although there is an unusual note of urgency and a definite element of threat in the current campaign, it has so far not actually broken with the pattern that has been followed for some time. It appears, therefore, that Moscow is still attempting to achieve its objective of German unity under Communist domination through breaking the will of the Western Powers to resist and through intimidating the West Germans. The present trend, however, is of such nature as to suggest that these measures may soon be supplemented by more drastic action, possibly including a renewal of the Berlin blockade, "revolution" in Berlin, and attempted violence in Western Germany. Despite

549-782—79——2

repeated Communist emphasis on the parallel between Germany and Korea, it is unlikely in present circumstances that the Soviet Union will repeat the Korean pattern in West Germany unless it intends to precipitate general war.

9. An intensification of Communist efforts to secure Indochina is to be expected, regardless of development elsewhere. The Viet Minh has clearly indicated that its objective is to drive the French from Indochina at the earliest possible date. The Chinese Communists have at the same time repeatedly expressed their support of the Viet Minh. They have, moreover, officially claimed that Western resistance to the Viet Minh is directed against Chinese Communist security. The Chinese Communists are already furnishing the Viet Minh with matériel, training, and technical assistance. If this assistance proves inadequate to enable the Viet Minh to accomplish its objectives, it is estimated that it will be supplemented, as necessary, by the introduction of Chinese Communist forces into the conflict, possibly as "volunteers." The extent of this Chinese Communist intervention, and whether it takes overt form, will probably depend on the degree of outside assistance furnished the French and the extent of Chinese Communist commitments elsewhere.

10. Soviet–Satellite pressures on Yugoslavia have not notably increased during the current crisis, although long-standing economic, political, and psychological pressures have been somewhat intensified. Under present conditions, such tactics probably will be unsuccessful, leaving direct military invasion of Yugoslavia as the only way in which the Tito Government can be overthrown. Satellite forces would be capable of achieving important initial successes, but, assuming effective Western support of Yugoslav resistance, secure occupation of that country and the establishment of a Yugoslav regime subservient to the Kremlin would probably require the direct use of Soviet forces. Present indications do not point at an imminent Soviet intention to launch either a Satellite or Soviet–Satellite attack on Yugoslavia. The Soviet Union, however, remains capable of launching an attack on Yugoslavia virtually without warning, and the possibility of such an attack cannot be disregarded.

11. The Soviet Union probably will not invade Iran unless it intends deliberately to initiate a general war. Present Soviet policy toward Iran appears designed to wean that country away from US and British influence, associate it more closely with the Soviet economy, and induce it to forego any thought of allowing Western armed strength to be introduced into Iran. This policy, which has so far met with considerable success, plus the disposition of present Iranian leadership to avoid identification with US policy and the military defeats of the UN in Korea, is probably considered by the Soviets to be adequate assurance that Iran will not become a base of operations against

the Soviet Union. Unless the Soviet rulers have decided that general war is imminent and that they must immediately secure every strategic approach to the Soviet Union, their probable present intention is to continue to keep Iran weak and distracted while accelerating efforts to bring a friendly government to power.

12. Beyond the danger of further Soviet–Communist action in these several local areas, there remains a possibility that the USSR may seize upon the present crisis to precipitate general war with the US. Moscow and Peiping have consistently and consciously stressed the threat of a new world war emerging from the current situation. At the same time the Kremlin continues preparations for action by its own forces. While the motivation involved may be to maximize war scare pressures in order to reduce further the will of the West to resist, the over-all situation is such that the possibility cannot be disregarded that the USSR has already made a decision for general war and is in process of taking steps preliminary to its inception. We are unable, on the basis of present intelligence, to determine the probability of such a decision having in fact been made.

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S/S–NSC Files, Lot 63 D 351,[1] NSC 100 Series

*Report to the National Security Council by the Chairman of the National Security Resources Board (Symington)*[2]

TOP SECRET

WASHINGTON, January 11, 1951.

NSC 100

RECOMMENDED POLICIES AND ACTIONS IN LIGHT OF THE GRAVE WORLD SITUATION

The essence of the attached paper is:

The United States is now in a war of survival;
The United States is losing that war;
Therefore, the direction of all United States planning and the tempo of United States action should be revised toward the survival of the United States and its allies, and toward a concurrent

[1] Serial master file of National Security Council documents and correspondence and related Department of State memoranda for the years 1947–1961, as maintained by the Executive Secretariat of the Department of State.

[2] W. Stuart Symington had been Secretary of the Air Force, September 1947–April 1950. For Symington's report to President Truman on activities of the NSRB from May 1, 1950, to March 31, 1951, see *Report of the Chairman, National Security Resources Board* (Washington, 1951)

At its 81st Meeting, January 24, the National Security Council discussed Report NSC 100. President Truman, who presided at the meeting, referred the document to the Departments of State and Defense for consideration in connection with the joint review of political-military strategy then in process. (NSC Action No. 424, S/S–NSC Files, Lot 66 D 95, NSC Actions) Regarding that review, see footnote 4, below. S/S–NSC (Miscellaneous) Files, Lot 66 D 95, consists of administrative and miscellaneous NSC documentation, including NSC Records of Action, as maintained by the Executive Secretariat of the Department of State for the years 1947–1963.

program of political action so that at the end of this war the people of the free world will be organized to prevent a future war.

To this end this paper considers the facts of the current situation, attempts to translate those facts into an estimate of what they will lead to in the next two years; and, in the interest of national survival, suggests:

(1) The establishment of certain national objectives.
(2) The revision of national policy to meet those objectives.
(3) A maximum effort to build a new form of military structure which would be the basis of political accomplishment of those objectives.

## I. ANALYSIS OF SITUATION

The United States and its allies of the free world are fighting a war for survival against the aggression of Soviet Russia.

The United States and its allies are losing the war, on both the political and military fronts.

The purposes of the Soviet are now crystal clear to the world; but the purposes of this country and its allies are not clear.

How the free nations have allowed themselves to be brought within sight of defeat by the Soviet is a complex and debatable history. If there is a single reason why we are now losing, however, it is because the free nations of the world have allowed Soviet Russia to put them on the defensive, everywhere.

On the military fronts in Korea and Southeast Asia the free nations are on the defensive because they are fighting the war in the Far East on a basis which most favors the Soviets and least favors the free nations: We are attempting to match men for men and tanks for tanks, instead of fighting most effectively with those elements of military supremacy we now have in the Far East—air power and naval power.

On the political front the free nations are on the defensive everywhere. This is primarily because during an era in which the naked power of aggression heeds only naked power, the free nations do not in political discussion bring up their prime power advantage, the atomic bomb and the capacity to deliver it. That advantage now gives possible superiority of power to the free world, but it is a power which every week from here on will steadily decline.

The free nations cannot hope to survive this war against Soviet aggression if it is continued on the basis of defensive containment.

The hour is late. The odds may be stacked against the free nations; but it is still possible to take the offensive in this fight for survival.

Such an offensive can be launched promptly on both the military and political fronts, provided there is a greater mobilization effort, especially on the production front.

On the military front the free nations can turn our defensive situation in the Far East into an offensive advantage by:

I. Charging Communist China with aggression.

II. While re-affirming the basic principles for which the United Nations are fighting in Korea, undertake an announced program of military and political retaliation against Communist China, to consist of the following:

1. Evacuation of United Nations troops from Korea, thus releasing air and naval forces.
2. These forces to support a blockade of Communist China by the use of naval and air forces, plus economic sanction.
3. An open and sustained attack upon lines of communication in China and Korea; and also upon aggression-support-industries in Manchuria as considered militarily advisable.
4. Extension of fullest possible support to all anti-Communist elements in the Far East, including Southeast Asia, so they can renew open war and increase guerrilla activities against the Chinese Communists in central and south China.
5. Re-affirm the intent to defend Formosa with air and naval forces to the extent of our military capabilities.[3]

These actions should accomplish the following:

(1) Regain United States and United Nations prestige in the Far East and throughout the world.

(2) Afford a more economical means, in lives and wealth, than is currently being used to maintain those principles for which we are fighting in Korea.

(3) Lead to eventual disruption of the Chinese Communist Government.

(4) Place a logistical drain and political strain on Soviet Russia.

(5) Make full use of all United Nations volunteers and anti-Communist forces in the Far East.

(6) Reduce the growing threat of Chinese Communist aggression in South and Southeast Asia.

(7) Further establish the strength of the United States in Japan, where there is now the possibility of attack from Soviet-Japanese forces.

(8) Establish a United States position of strength in the Far East, thus obtaining an active strategic base against Russia in the event of general war with the Soviets.

Should the United Nations refuse to go along with the United States on a program of recognition and retaliation against Chinese Communist aggression, the United States should proceed unilaterally, or with as many allies as it can recruit, on the basis of Article 51 of the United Nations Charter, which article states that membership in the United Nations does not prevent any member from defending itself unilaterally in case it is attacked.

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[3] Documentation on United States policy with respect to China and Formosa is presented in volume VII.

On the political front, the United States could make its greatest contribution to the defense of Western Europe and other areas of interest to the free nations by announcing, preferably through NATO, that any further Soviet aggression, in areas to be spelled out, would result in the atomic bombardment of Soviet Russia itself.

This action would accomplish the following:

(*a*) Serve notice to the communist and the free world that the United States recognizes and assumes its role as leader in the fight against aggression.

(*b*) Act as a deterrent to Soviet aggression.

(*c*) Establish moral justification for use of United States' atom bombs in retaliation against Soviet aggression.

(*d*) And thus afford the United States a measure of moral freedom it does not now have to use the atom bomb under circumstances other than retaliation out of what devastation might be left of this country after an initial Soviet atomic attack.

Should the United States propose to undertake this suggested military offensive in the Far East, it is unlikely to obtain the full cooperation of all its allies. As example, the British might not go along with any serious military program against Communist China.

But the United States should no longer consider basing those policies necessary for its survival on the fears of any of its allies. This is especially true in that the greatest, if not the only, chance of survival for those allies is that military policy which gives the United States the greatest chance of victory against the Soviet.

The time during which the United States can take any sort of offensive position is running out far more rapidly than realized by some of those who place so much faith in (1) the United States atomic stockpile and (2) the industrial potential of this country. Neither of these weapons will be of full value unless politically used wisely and in time, if they are to be used at all.

Every American citizen should realize that the atomic supremacy currently held by the United States is diminishing month by month. The Soviet atomic stockpile . . . grows at a rate which, within 18 months, will give Moscow . . . bombs, plus 800 to 1200 B–29–B–50 type bombers—enough to assure the Soviets a probability of delivery . . . through the best United States defense that could be built by that time.

That number of successfully delivered atomic bombs is enough to blast the heart out of United States industry; and who doubts any longer that the Soviets will attack when ready?

The Soviets now have in being, and in position, a number of divisions far in excess of anything the United States, plus its allies, could organize, train, equip, and transport to position in time to be effective by 1953.

As things are now going, by 1953 if not 1952, the Soviet aggressors will assume complete command of the world situation, because by then no nation, regardless of the size of its atomic stockpile, could defend, or fully retaliate, against a sudden surprise atomic attack delivered in great strength.

Of what value are a thousand atomic bombs in caves, if one hundred are used in a sudden all-out attack against this country, part of that attack having destroyed our capacity to retaliate with the bombs we would have?

Every American citizen should therefore also realize that neither this country nor any other country can buy time against the Soviet in the race for atomic power. In fact the reverse is true, because from here out the Soviet will gain monthly in its relative atomic strength against the rest of the world.

These facts are not arguments in favor of any development of the present war into a general war in order to prevent ultimate defeat. They should, however, refute any effort of the United States or its allies to put off a political showdown with the Soviets on the basis that time can be "bought".

In addition, (1) these facts show the obvious and growing danger in relying too far into the future on retaliatory capability; and (2) they point up the advisability of doing now in Asia what is right, instead of waiting until our ground divisions are, say, 20% of the strength of Russia instead of 10%, during which time our atomic advantage would be reduced, if not neutralized.

During that same time, the Soviet seizure of Korea, Indo-China, and most of Southeast Asia is probable, particularly if there continues to be no affirmative United States policy for the Far East.

Furthermore, if the current United Nations indecision to face up to the Chinese Communist aggression in Korea continues, the existence of the United Nations is threatened. Only firm leadership by the United States can prevent the collapse of the principle of collective security envisaged by the United Nations Charter. Without that leadership, the United Nations will die.

With the disorganization of the free world now a possibility, and with Western Europe facing the possibility of Soviet invasion by this summer, today is the most effective time the United Nations and the United States will ever have to notify the Soviet of those conditions for the maintenance of peace which the State Department has often stated it plans to voice when this country has achieved the shield of its greatest strength as against the strength of Soviet Russia.

Now is the more favorable time because, thanks to its temporary atomic advantage, this country today has a position of strength relative to the Soviet that it cannot attain again for some years to come.

Meanwhile it is possible that through one or more foreseeable cir-

cumstances, the current limited war between the United States and the Soviets may expand at any time into general warfare.

This Korean conflict can grow into general war with the Soviets whenever present Soviet air or submarine participation expands in sufficient magnitude to force the issue; and general war could also grow out of several additional Far Eastern situations, such as the attempted invasion of Formosa or Japan.

In addition, general war might result from any of the sparks which will fly as the communists move further into Southeast Asia.

In Europe, the explosiveness of the situation needs no spelling out.

Meanwhile, should general war come in 1951 or 1952, NATO cannot be counted on as a serious factor in United States defense plans.

Therefore, there should be certain fundamental revisions in the structure of NATO, particularly as to the contribution of the United States; i.e., there should be relatively less future contribution of ground divisions by this country, and relatively more of such items as strategic air, air defense, and tactical air.

Above all, there should be political utilization, on behalf of NATO and the rest of the free world, of the current United States position resulting from possession of the atom bomb, and ability to deliver it.

Atomic bombing by itself cannot win a war against Soviet Russia, but today it is the most powerful military weapon. In this world of power politics, therefore, it should be further utilized in political negotiation.

Even though our atomic bombing capability is our prime military advantage, should a war with Russia occur within the next 18 months, United States long-range strategic air power will be of limited strength because of obsolescence, lack of equipment and lack of advance warning.

At the same time, the air defense of the United States which, along with an anti-sabotage program, must be the prime insurance that our retaliating Strategic Air Force gets off the ground, is almost negligible and will remain so through 1951 and most of 1952.

Even with considerable advance warning of attack, our air defense system will not achieve more than 30% efficiency by the end of 1952.

As to resources and bases, should a general war with the Soviets break out during 1951 or 1952, the United States could count for critical resources, and as military bases, only on the Western Hemisphere, Africa (if plans are made now to hold it) and the islands now held in the Pacific. In addition, for the first—and possibly decisive—period of such a war, there would possibly be England and her air bases, if plans to hold the British Isles are accelerated; and Spain, if that country is included in United States defense plans; and also perhaps Norway and Turkey.

In the light of the foregoing circumstances, which depict a grave peril for the United States, along with a diminishing United States' ability to forestall that peril, the current rate and form of defense mobilization is insufficient to meet the crisis.

In fact, the Presidential directive now being used as the basis for the present mobilization plan recognizes that the present buildup may be insufficient. This is implicit in the language used in said directive, NSC 68/4, as approved by the President in December 1950.[4]

The language in question states that the forces proposed are but "an interim program . . . to be achieved . . . as rapidly as practicable, and with a target date no later than June 30, 1952."

NSC 68/4 further states, "We must also proceed at once to establish a production and mobilization base that will permit a very rapid expansion to full mobilization."

This language in this document implies that additional force requirements beyond the "interim forces" approved are being developed by the Joint Chiefs of Staff. It also directs that any imminent mobilization be tailored to establish the broadest base possible for any eventual full mobilization.

As examples of degree of mobilization effort, the following comparisons are pertinent:

(*a*) In FY 1942, the first year of World War II, the United States devoted 18.8% of gross national production to defense. In FY 1951, the United States plans to devote 6.9% of gross national production to the defense build-up.

(*b*) The maximum fighting strength required by the United States in World War II, with Russia as an ally contributing her formidable forces to our side of the fighting, amounted to 242 Air Force groups, 89 divisions, 100 carriers (of which 20 were the standard World War II large—Essex—type), and an over-all peak total of 12.364 million men in uniform.

The maximum force contemplated by the JCS in NSC 68/4, with the Soviet forces now against us instead of with us, amounts to 95 Air Force groups, 24 Army divisions plus 2 Marine divisions, 27 carriers, and an over-all peak of 3.211 million men in uniform.

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[4] NSC 68/4, "United States Objectives and Programs for National Security," a report approved by President Truman on December 14, 1950, is printed in *Foreign Relations*, 1950, vol. I, p. 467. At the time of approval, the President issued the following directive:

"NSC 68/3 as amended [NSC 68/4] is approved as a working guide for the urgent purpose of making an immediate start. However, since this paper points out that the programs contained in it are not final, I hereby direct the Secretary of State and the Secretary of Defense to undertake immediately a joint review of the politico-military strategy of this Government with a view to increasing and speeding up the programs outlined in NSC 68/3 as amended in the light of the present critical situation and to submit to me appropriate recommendations, through the NSC, as soon as possible.

"This review is not to delay action upon the basis of NSC 68/3 as amended, the implementation of which by all appropriate departments and agencies of the United States Government is hereby directed." (NSC Action No. 393-*b*, S/S–NSC Files, Lot 66 D 95)

(*c*) Since the end of World War II, the Soviets have made a heavy and sustained effort to continue the build-up of their military machine, whereas the United States has concentrated on economy; and the following comparative tables show the results of that concentration:

| | *1946 through 1949** | | *1950* | | *Total to Date* | |
|---|---|---|---|---|---|---|
| | *Sov.* | *U.S.* | *Sov.* | *U.S.* | *Sov.* | *U.S.* |
| B-36 | 0 | 82 | 0 | 32 | 0 | 114 |
| B-29 type | 459 | 418 | 450 | 127 | 909 | 545 |
| Jet Bomber | 4 | 92 | 350 | 61 | 354 | 153 |
| Jet Fighter | 3, 644 | 2, 683 | 3, 200 | *932 | 6, 844 | 3, 615 |
| Piston Fighter | 7, 932 | 2, 215 | 200 | *0 | 8, 132 | 2, 215 |

In tanks the USSR is estimated to have produced 12,600 of all types in 1946, and 4,200 of all types for each of the years 1947, 1948 and 1949—giving the Soviets a total estimated tank production from 1946 through 1949 of 250,200.

The United States production of tanks for the years 1946 through 1949 totaled 50.

Although estimates of Soviet tank production for 1950 must be treated with reserve, it is estimated in that year the USSR produced 6,000 tanks.

The United States produced 750 tanks in 1950.

In ground divisions the USSR is estimated to now have 175 line divisions. They have maintained approximately this number of line divisions since 1946.

A proper picture of Russian potential in ground divisions is portrayed by the potential speed of Soviet mobilization. This potential is considered to be as of now, or at any time between now and 1954:

| | *Total Line Divisions* |
|---|---|
| M+Day | 175 |
| M+30 | 320 |
| M+180 | 440 |
| M+365 | 470 |

Between M+5 and M+30 the existing 175 divisions would be brought up to full strength.

From the standpoint of manpower, about 7 million Russian men are either in the military or have had military service and are considered to be available on mobilization. By 1954 it is estimated that some 15 million more will be suitable and available for the formation of divisions. These figures do not include European Russian satellite ground troops, or Chinese Communist ground forces.

By contrast with the 175 Soviet divisions now in being, and the potential of 470 divisions available in 1952, the United States has 10 divisions now in being, with a planned build-up to the equivalent of 24 Army divisions and 2 Marine divisions by 1952.

The maximum mobilization capability of the United States based on World War II experience is estimated to be 90 divisions.

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*The U.S. totals for 1946 through 1949 include both USAF and USN production. The U.S. figures given for Jet Fighters and Piston Fighters for 1950 are USAF production only. For the first three-quarters of 1950, USAF plus USN production of Jet Fighters was 1127. The USN production of Reciprocating Fighters for the first three-quarters of 1950 totals 70. [Footnote in the source text.]

(*Note:* Soviet divisions number 9,000 to 10,000 men each, while United States divisions number 18,000 men each.)

As to submarines, the Soviets are estimated to be capable of producing more than 200 submarines per year. The current output is estimated to be 12 to 25 units per year. Estimated total number of Russian submarines on hand follows:

| | *1950* | *1951* | *1952* |
|---|---|---|---|
| Long Range Subs | 88 | 117 | 125 |
| Medium Range Subs | 75 | 63 | 128 |
| Coastal Subs | 121 | 126 | 137 |

An effective method of estimating what these numbers mean by way of capability is to compare them with what the Germans had at the beginning of World War II. At the beginning of World War II Germany had 57 submarines in her fleet of which 46 were ready for immediate employment. But of the 46, only 22 were suitable for use in the Atlantic—the remainder could be used only in the North Sea.

In summation, these comparisons indicate a far greater emphasis by the Soviets than by the United States through the post-war years on the production of military forces in being.

This is further emphasized by a comparison of USSR and United States expenditures for 1950 during which the USSR spent a far greater proportion of its gross national income on military items than did the United States. It should be further noted that the Soviet defense expenditures have been sustained at these high levels throughout the post-World War II years, while the United States defense expenditures during the same years have been at a level considerably lower.

Not only does the current planned mobilization of the United States seem insufficient, but the make-up between forces does not appear to fully conform to the nature of the threat now facing us.

This presently planned build-up is based on requirements stemming from the strategic plan called Reaper, which latter plan in turn is related to NATO. (NATO commitments made by the United States Government are understood to be neither specifically nor entirely included by the military in those requirements which form the basis of the current build-up.)[5]

The fallacy of the form of defense structure now being built is that its basis, of the plan Reaper, is a military plan which, among other aspects, relies on NATO to hold the Soviets at the Elbe by 1954.

In recent months there have been few if any who would assert that such a holding was feasible by 1954; and now that the recent decision is to advance defense planning toward a critical date two years earlier, 1952, it is even further beyond the realm of possibility to plan on NATO holding on the Elbe by this earlier date.

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[5] For documentation on United States participation in the North Atlantic Treaty Organization, see vol. III, pp. 1 ff.

Our current build-up is based on the simple expedient of moving up two years the 1954 requirements for REAPER, and thus for NATO, regardless of the fact that the dominantly land army form of defense structure which typifies REAPER, and NATO, could not possibly be assembled by this now assumed earlier critical date.

Therefore, the nature—as well as the degree—of our current defense build-up is inconsistent with the problem of survival that we face, because it is related to a basic strategic plan which has now become out-dated by recent reverses, and by a new assumption as to the critical date, i.e., 1952 instead of 1954.

The three services are now developing an additional increment of force requirements to those recently approved in NSC 68/4; and these latter forces are being developed along the same out-dated, and therefore unsound, patterns of the NSC 68/4 requirements.

If general war is a possibility within the next 18 months, and because NATO could mean little in the way of true military strength during this period, the survival of Western Europe, the Far East and the United States is in jeopardy, because the pattern of defense structure being planned and built today is not balanced to meet the military needs of this nation and its allies in the hour of our gravest crisis.

That lack of balance in relation to both our commitments and our predicament in the international situation is not the only compelling argument for a re-examination and revision of the pattern of defense build-up. There is another.

Even in this early and relatively small NSC 68/4 phase of mobilization, there are already looming formidable, in some instances insurmountable, short-range (1951–1953) shortages in certain materials and certain fields of skilled manpower.

These shortages do not mean an all-out build-up is either undesirable or unworkable, but they constitute another reason why the mobilization effort must emphasize the production of some types of weapons ahead of others, when both are major claimants for short materials and scarce manpower.

If we do not create and maintain those forces in being necessary to assure our national survival through the opening, and decisive, months of a general war, then neither our allies nor ourselves will ever have the opportunity to use the forces which eventually would play the dominant role in the later, conclusive phase of such a war.

If the United States is to adopt that position necessary to turn the tide of current fighting in favor of ourselves and our allies, we should make an all-out effort, now, to create, at the earliest possible moment, those forces which are essential both for successful negotiations with the Soviets, and for national survival if negotiations are not successful.

## II. RECOMMENDATIONS

The essence of this paper is that the survival of the United States and the United Nations is imminently threatened by Communist aggression.

The estimated Soviet atomic bombing capability is growing at a rate which, some time in 1952, will find the Communists strong enough to destroy much of our capability of immediate retaliation, and seriously cripple the United States itself. And who doubts any longer that the Soviets will attack when ready?

The United States has two prime weapons in defense against this threat:

(1) A political use now of its diminishing atomic bombing advantage;
(2) A fuller and more effective use of its industrial potential.

Now is the time for an affirmative United States position against further Communist aggression; a position to which the rest of the free nations can rally. The National Security Resources Board therefore submits the following recommendations:

I. Charge Communist China with aggression. At the same time, while re-affirming the basic principles for which the United Nations are fighting in Korea, undertake an announced program of military and political retaliation against Communist China, to consist of the following:

1. Evacuation of United Nations troops from Korea, thus releasing air and naval forces.
2. These forces to support a blockade of Communist China by use of naval and air forces, plus economic sanction.
3. An open and sustained attack upon lines of communication in China and Korea; and also upon aggression-supporting industries in Manchuria as considered militarily advisable.
4. Extension of fullest possible support to all anti-Communist elements in the Far East, including Southeast Asia, so they can re-new open war and increase guerrilla activities against the Chinese Communists in central and south China.
5. Re-affirm the intent to defend Formosa with air and naval forces to the extent of our military capabilities.

These actions should accomplish the following:

(1) Regain United States and United Nations prestige in the Far East and throughout the world.
(2) Afford a more economical means, in lives and wealth, than is currently being used to maintain those principles for which we are fighting in Korea.
(3) Lead to eventual disruption of the Chinese Communist government.
(4) Place a logistical drain and political strain on Soviet Russia.

(5) Make full use of all United Nations volunteers and anti-Communist forces in the Far East.

(6) Reduce the growing threat of Chinese Communist aggression in South and Southeast Asia.

(7) Further establish the strength of the United States in Japan, where there is now the possibility of attack from Soviet-Japanese forces.

(8) Establish a United States position of strength in the Far East, thus obtaining an active strategic base against Russia in the event of general war with the Soviets.

Should the United Nations refuse to go along with the United States on a program of recognition and retaliation against Chinese Communist aggression, the United States should proceed unilaterally, or with as many allies as it can recruit, on the basis of Article 51 of the United Nations Charter, which Article states that membership in the United Nations does not prevent any member from defending itself unilaterally in case it is attacked.

II. The mobilization effort of the United States should be accelerated, particularly in the production of first things first, i.e., strategic air, air defense, and tactical air weapons, anti-submarine defense, anti-sabotage defense, and research and development. These are the weapons most urgently needed in the specific crisis which faces the United States over the next two to three years. This policy is especially important in that it is becoming increasingly evident that the United States cannot afford unrestricted development of all forces.

III. There should be a political policy, and the mechanics for expressing such a policy, to the effect that the whole of NATO, as well as the Far Eastern commitments of the United States, are to be supported by reliance upon the strategic air power of the United States; and the world should be advised, preferably through NATO, that this power would be used against Soviet Russia in the event of overt or satellite aggression against stated points throughout the world. This would mean the use of the atom bomb, if the Soviets moved aggressively in defiance of NATO terms.

There should be certain fundamental revisions in the structure of NATO, particularly as to the contribution of the United States; i.e., there should be relatively less future contribution of ground divisions by this country and relatively more of such items as strategic air, air defense, tactical air, and naval forces.

The deployment of United States elements to NATO should be made in such a fashion that they are least available to the Soviets in the event of war with the Soviets before NATO becomes feasible.

IV. Concurrent with the proposed NATO and Far Eastern policy developments, there should be an accelerated program for insuring the alliance and security of North America, South America, Africa, and the Pacific areas of the United States' interests.

PPS Files, Lot 64 D 563 [1]

*Memorandum by Mr. John Paton Davies, Jr., Member of the Policy Planning Staff* [2]

SECRET [WASHINGTON,] January 23, 1951.

SPRING AND SUMMER PROSPECTS

There can be little doubt that the Chinese Communists intend to attempt the conquest of Formosa as soon as they attain a capability of doing so. They may even undertake such an adventure before they are prepared, as a provocative action. This may occur at any time from now on, but more probably in the Spring. In undertaking this action the Communists would necessarily, unless our policy is changed, engage the 7th Fleet and such aircraft as we may commit. This clash would probably lead to extensive and protracted hostilities between the United States and the mainland of China.

It is possible that simultaneously the Peiping regime will extend whatever aid is necessary to enable the Vietminh to make an all-out and successful effort to expel the French from Indochina.

It is also possible that at the same time the Chinese Communists will attack and take-over Hong Kong.

Meanwhile, if we succeed in holding on in Korea along the lines laid down by our present policy, we shall continue to have a major share of our armed forces tied down on and in the vicinity of that peninsula.

Thus, we may look forward to seeing our military forces deeply embroiled from Korea to Cambodia before Spring is over.

If this is so, the political consequences which would flow from such developments are indeed melancholy to contemplate. Excepting for the Latin Americans (who have no real feeling of responsibility or interest in Eurasia), and those who hope for the advent of World War III by whatever means possible, the rest of the Free World would view with dismay the further extension of Sino-American hostilities. There would be a decrease in the already slim confidence in American leadership, statesmanship and political acumen. If the Europeans are now nervous because of our involvement in the Far East, they would become terrified by the outbreak of hostilities with China Proper. Rather than improving the European frame of mind the extension of hostilities to Indochina and Hong Kong would only aggravate their fears.

The creation of such a political climate in Europe would present the Kremlin with opportunities which would be so tempting that we

[1] Files of the Policy Planning Staff of the Department of State, 1947–1953.

[2] The source text is labeled "Draft No. 1." No indication that a subsequent draft was prepared has been found.

cannot really expect it to resist them. Moving through its satellite proxies, the Kremlin could proceed to turn the heat on Yugoslavia.[3] This, after all, would be a feud within the Communist family and it would be made plain to the Western Europeans, Greeks and Turks that if they minded their own business, the small unpleasantness would be quickly disposed of. If, however, they insisted on interfering in somebody else's affairs, they would live to regret it. As for the Americans, the Kremlin could intimate, they obviously have their conventional forces tied down in the Far East fighting a "colonial war"—but if they are so rash as to use the atomic weapon, Western Europe would be overrun.

We would be wise to assume that such a presentation would be most persuasive to our NATO allies and that we would come to realize that the present tugging at our coattails with regard to Korea and Formosa are nothing compared with what we would experience in these circumstances. The ground work is already being done—Duclos's pronouncements on neutralism are ominously significant.[4]

Pressing this war of nerves for all that it is worth, the Kremlin may be able to cause political disintegration in Western Europe so that, if we decide to resist aggression against Yugoslavia, we shall have to do so without allies—save for Turkey, Spain, Portugal and probably the U.K. and Greece. And if we do not go to the aid of Yugoslavia, the collapse in Europe and the Middle East will be, perhaps less dramatic, but no less certain.

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[3] Documentation on United States policy with respect to Yugoslavia is presented in volume IV.

[4] Jacques Duclos, Secretary of the French Communist Party. Information on French Communist activities and pronouncements is included in documentation on United States relations with France, *ibid.*

Truman Library, Truman Papers, PSF–Subject File

*Memorandum by the Chairman of the National Security Resources Board (Symington) to the President* [1]

[WASHINGTON?, undated.]

CURRENT HISTORY OF NATIONAL PLANNING POLICY—DIPLOMATIC, ECONOMIC AND MILITARY; AND REASONS WHY IT IS ESSENTIAL THAT THESE THREE SEGMENTS OF NATIONAL SECURITY BE FURTHER INTEGRATED

The situation in which the United States finds itself today is a critical one in which survival of all free nations is threatened by the ruthless aggression of Soviet Russia.

The United States and its allies are at war with the Soviets. This war has been expanding for some years on the political front, and for the past seven months has been waged on the military front.

The United States and its allies have been losing on nearly all fronts.[2]

If there is a single reason why we are losing this fight for survival, it is because the free nations of the world have allowed Soviet Russia to put and keep them on the defense everywhere.[3]

How the Soviets have maneuvered the free world into such a defensive situation is a long and complex history, the general tenor of which is that the Soviets have been operating for decades toward a single objective—world domination.

At the same time the free nations have gone through those same decades without any real organized program looking towards specific objectives.[4]

The history of how the Soviets have risen to such great power is well known, because they have constantly advertised their intentions; in fact a diminishing number of free nations have watched them move further toward those intentions, whenever and wherever they have encountered weakness, or lack of resistance.[5]

It is not equally as clear how the free nations arrived at where they are now—an untenable military position in Korea; in danger of losing the battle for Western Europe; and unless some organized and positive political action is taken soon against Soviet-Chinese aggression, likely to lose the political struggle also.[6]

It is probable that we are in this position because, until recently the United States has made little real effort to integrate its political, mili-

[1] This undated and unsigned memorandum by NSRB Chairman Symington was apparently transmitted to the President in early 1951.

[2] Marginal notation on the source text by the President: "Not true".

[3] Marginal notation by the President: "No[t] true. Berlin, Greece, Turkey, Korea."

[4] Marginal notation by the President: "Not true. The formation of U.N., Rio Treaty, Atlantic Treaty."

[5] Marginal notation by the President: "Would be very dangerous—if true which it isn't."

[6] Marginal notation by the President: "Bunk—all of it."

tary and economic plans and programs. It is now clear that such integration is essential to national security.

General policy objectives have also been lacking; and despite the growing threat to national security, our policy for the most part has been one of letting democracy sell itself. This policy is not strong enough to match the organized and aggressive growth of communism.[7]

Nothing points up this failure better than the fact that during the past ten years the communist-dominated peoples of the world have increased from 188 million to over 800 million.[8]

The United States has had only limited objectives. In the economic field, through the Marshall Plan, etc., we have accomplished a great deal to preserve democracy against the spread of communism.[9]

But we have not taken political action comparable to the action displayed in our economic aid program.[10]

After voluntarily placing ourselves on the political defensive, the United States then resorted to a piecemeal policy termed "containment".[11]

Containment, as it has been practiced, can be defined as that policy which believes it possible to restrict the authority of the Soviet to those regions in which their domination now prevails.[12]

This "containment" policy has resulted in the Soviets dictating the timing, the degree, and the direction of our planning. They, the enemy, have changed our planning almost at will, because all initiative has been in their hands.[13]

From this defensive position we have endeavored to meet communist aggression, wherever raised by the Soviets, with our dollars and our lives.

Containment as a policy has been and is a dangerous and extravagant policy. It leads to the maintenance of a large military structure, but with the necessity for scattering the components of that structure all over the world, in order to meet "localized" aggression.

Such a structure, in effect designed to be scattered, can only result in greater cost over a period than any democracy can afford.

This containment policy has also led the Armed Services into wasting time and energy in arguing how such "isolating" campaigns as Korea should be fought; when all concerned should be planning the military basis for direct political dealing with the Soviets.

Containment has resulted in disorganized military planning, with each Service recognizing primarily those threats which might arise

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[7] Marginal notation by the President: "This page is drivel founded on false premises!"

[8] Marginal notation by the President: "More bunk."

[9] Marginal notation by the President: "We have won this one."

[10] Marginal notation by the President: "Is that so!"

[11] Marginal notation by the President: "More bunk on the same false premise."

[12] Marginal notation by the President: "Not at all. Yugoslavia, Austria, Czechoslovakia, Italy, Greece, Iran etc."

[13] Marginal notation by the President: "More bunk."

in its area of interest; and thereupon citing its requirements accordingly.

Not only does the doctrine of containment place us at a disadvantage militarily, but also it deprives us of our most effective weapons against the Soviet in the political, economic and psychological fields.

Containment presupposes that democracy and the Soviet communism of the Politburo can live side by side. Such a premise could be sound if the Soviet did not relentlessly pursue the principle that communism can prevail only if every other government or form of government is either destroyed or subordinated to the Soviet Union.

The containment policy of the United States presupposes that a definite area of the world may be set aside for the imperialism of the Politburo. On one side of the line Soviet communism is acceptable; on the other side it is unacceptable.

But once we concede that Soviet communism is all right anywhere, we weaken our position; i.e., our appeal for allegiance, with all other nations and peoples.

Subtle distinctions have no meaning to the hungry or to the confused. It leaves them just as hungry and even more confused.

Soviet communism knows no such restraint, has no such theory of containment. It is proceeding successfully with its avowed program of world aggression.

The fallacy of attempting to "localize" aggression wherever it springs up, while at the same time carefully avoiding the basic issue with the actual instigator of current world unrest, Soviet Russia, has now shown itself all too clearly in Korea.

We went into Korea on highest principle: namely, participation in collective security action against aggression, and to restore peace and security.

Our aim was to localize this communist aggression by defeating North Korea, then to unify North and South Korea. We carefully minimized any connection between the communist forces in China and Moscow with the North Korean invasion.[14]

The Soviets allowed us to fight against their probably weakest satellite, with no string on Moscow, until the fighting had forced the commitment of a large majority of United States ground forces. When MacArthur [15] came within a few miles of accomplishing the "local containment" objective, however, the Soviets then threw in the Chinese communists to wreck our offensive, at great cost to us in men and material, without affecting the basic hard core of Soviet strength.

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[14] A question mark appears in the margin at this point.

[15] General of the Army Douglas MacArthur, Commander in Chief, United States Forces, Far East Command, and Commander of United Nations Forces in Korea.

Since then the National Security Council has been concentrating on defensive guessing as to how to proceed without getting involved in "general war with China".

In other words, the Soviets could and can take the offensive away from the United States when they choose, even in this "localized area", and possibly because, on the basis of our announced policy, they feel that they can count on our not wanting a "war with China".

If we can't afford a war with China, however, how can we afford this "containment" policy—because, as in Korea, whenever and wherever we attempt to localize aggression to the point of success, the Soviets can throw in more forces to aid their further victory; and thus cause our further defeat.

Since this "containment" policy can eventually only bring us face to face with the threat of general war with the Soviets, is it not logical to proceed now to deal directly with Moscow on the political front?

Berlin is evidence the Soviets understand and respect a political policy of direct dealing. Moscow and the world believe that overt Soviet aggression against Berlin will result in general war. This belief must be the prime reason why the Soviets have not, and do not, move on Berlin.

The point is, a line has been drawn in Berlin for all the world to see and understand. The Soviets and the world believe that for the Soviets to cross that line means war with the United States and all that such a war implies. As a result, at least to date, the Soviets, despite their tremendous forces-in-being position in Eastern Europe, have not moved except through such annoying subterfuges as the Berlin Blockade and political maneuvers in the various gray areas.

What other reason could there be for the Soviets not moving against Western Germany and other NATO countries? Their chief fear, as Churchill [16] pointed out two years ago, is our atomic bomb stockpile, plus our capability of delivery.

In effort to overcome this fear, however, the Soviets are rapidly building a stockpile of atomic bombs capable of crippling or destroying this country by means of a surprise attack.

The Soviets already have the planes capable of delivering such an attack.

The same principle of policy we are now utilizing in Berlin could be extended throughout the world.

The fact we do have an effective political policy as to overt Soviet action in Berlin is circumstantial rather than by design; because that affirmative policy is not characteristic of, or similar to, our over-all international policy.[17]

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[16] Winston S. Churchill, British Prime Minister, 1940–1945; thereafter, Leader of the Conservative Party.

[17] A question mark appears in the margin at this point.

Today the Soviets can dictate not only how and where we fight—but when; and so far they have been allowed to dictate the choice of weapons.

In this atomic era, knowledge of where and when we may have to fight a war with Russia might well be the difference between winning and losing. Any policy, therefore, which puts us nearer to knowing D-Day gives us that much better chance to survive.

It is now clear that an integrated program, looking towards national security, should be developed by the appropriate agencies, and submitted for the President's approval.

This program should provide:

(1) Agreement on basic objectives of the United States.
(2) Analysis of the deterrents—threats—which might prevent the accomplishment of those objectives.
(3) Agreement on assumptions as to the character and timing of these possible deterrents.

From this program, specific military, political, and economic plans could and should be developed to insure national security.

Prior to January, 1950, the (1) political and (2) military and (3) economic planning developed by the United States since the end of World War II had, in effect, been carried on separately.

There were some informal relationships between diplomatic positions taken by the United States, and military planning, but there was no formal integration of the two; and in any case there was no effort to integrate an economic program with the diplomatic and military aspects.

The first effort to develop such an integrated program was begun in January, 1950, when this government started to develop the basis for an international political program for the United States. This beginning was contained in the paper now known as NSC 68.[18]

NSC 68 started out as an effort to develop United States political, military and economic programs for at least the next five years.

This paper was born in a defensive climate, in reaction to the Soviet atomic explosion in September, 1949. As a result of that explosion the President asked the State Department and the Defense Department to draft a review of United States policies. (See attached chronology.)[19]

NSC was and is an effort to arrive at some of these basic assumptions; and to develop from those assumptions a program for national security.

As originally written in the first quarter of 1950, the fundamental assumption of NSC 68 was that by 1954 the Soviets would in all probability have a stockpile of atomic bombs—along with the capacity for delivering them—a stockpile sufficient to launch a lethal attack upon the United States.

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[18] For text of NSC 68, "United States Objectives and Programs for National Security," April 14, 1950, see *Foreign Relations*, 1950, vol. I, p. 234.

[19] The chronology does not accompany the source text.

(Some of us believe that by the now generally agreed upon new critical date of mid-1952 the Soviets will have the atom bombs as well as the planes necessary to deliver a severely crippling attack.)

The paper stated that between 1950 and 1954 the United States should build enough defense to deter the Soviets from launching such an attack.

But NSC 68 then emphasized that the political and military programs underway (at the time NSC 68 was first written in early 1950) were totally inadequate to obtain any such defense.

The paper recommended a "rapid and sustained build-up of United States military, political, and economic programs", if by 1954, the United States was to be in a position to deter Soviet attack.

Subsequent to the issuance of NSC 68 the President directed the formation of an *Ad Hoc* Committee comprised of representatives of the agencies concerned with developing those programs necessary to implement NSC 68 conclusions.

The discussions of this *Ad Hoc* Committee, particularly in the two months before South Korea was invaded, developed differences of opinion as to the validity and meaning of the conclusions of the paper. Some felt that NSC 68 did not adequately outline such United States defense weaknesses as lack of proper intelligence and lack of long-range military strategic planning.

In another area of disagreement the State Department and CIA representatives did not agree with the conviction of others that the Soviets would probably utilize their atomic strength once it had been achieved.

These differences were outlined in a draft memorandum circulated by the Executive Secretary of the National Security Council on June 6, 1950, entitled "Differences in Planning Assumptions in NSC 68". This outline said:

"The general build-up of U.S. strength advocated by NSC 68 results from an analysis and estimate of the Soviet threat to the United States and of the measures requisite to counter this threat.

"Differences of opinion regarding the measure, that is, the over-all program, arise because of the serious difficulty inherent in the problem.

"Major emphasis in NSC 68 is placed on the U.S. build-up as the means of compelling the Soviet Union to abandon its designs against the U.S. without recourse to a shooting war—that is, to enable the United States over a period of years to win the cold war.

"In the connection, however, NSC 68 emphasizes the serious risk that the Soviet Union, confronted by indisputable evidence that the U.S. is winning the cold war, might resort to armed attack rather than face the consequences of defeat.

"It is for this reason that NSC 68 insists on the importance of the military aspect of the U.S. build-up as a shield behind which all the other resources and weapons of the United States for prosecuting the cold war can be marshalled and deployed.

"But beyond this argument in favor of the build-up of U.S. strength, NSC 68 also stresses the threat of a surprise Soviet atomic attack on the United States and its allies at any time in the future (and more especially during and after 1954) that the Soviet Union estimates that it is in a position to defeat the United States by such a surprise blow.

"At the least, NSC 68 estimates that under existing U.S. programs and defense measures the Soviet Union, if it chose to resort to surprise atomic attack, could, during or after 1954, deliver a devastating blow to certain strategic targets in the United States and Canada.

"Starting from these estimates and assumptions, most of the programs under NSC 68 conclude that the United States build-up in strength, while it should be rapid, must be thought of primarily as a means of winning the cold war and of avoiding a shooting war.

"Accordingly, these programs accept a large measure of calculated risk, in that they do not contemplate an effort to place the United States in a posture of complete readiness, or of mobilization for war in 1954, with the economic controls required by such a state of readiness. They stem from the conclusion that our national security demands we achieve our objectives by the strategy of the cold war, building up our military strength in order that this strength may not have to be used.

"Other programs, while recognizing that the build-up advocated in NSC 68 is in part a means of enabling the United States to avoid armed conflict with Russia, does not accept the calculated risk which the first set of programs is willing to take: namely, 'that the Soviet will not attack us by 1954 or earlier'.

"Accordingly, the program for civil defense, for example, is based on the assumptions that 'the best, but by no means certain defense against Soviet attacks lies in . . . a government-wide-organized program which more aggressively prosecutes and better integrates the so-called cold war activities in conjunction with . . . the maximum military and civil defense obtainable . . . plus a retaliatory bombing force sufficient to impress the Soviet with the belief that a lethal atomic attack on the United States means a lethal atomic attack on Soviet Russia'.

"The authors of this program believe that before NSC 68 can be effectively implemented with respect to programs and costs, a decision must be made on the following questions: 'Are we or are we not faced with the possibility of Soviet attack on this country, and if so, in what form might the attack come, and what is the earliest date by which it might be of lethal impact?' "

In other words, some felt that more than partial mobilization as a cold war negotiation base was immediately necessary.

This difference of opinion among government agencies was not resolved; nor was it ever formally brought to the attention of the President.

Those who argued in favor of a "calculated risk" justified this position on the grounds of doubt that the Soviets intended to use the atomic bomb for other than defensive purposes. They also argued that our defense by 1954 could be sufficient to deter, or failing that, repeal Soviet attack.

Those who argued against taking this "calculated risk" expressed conviction that the Soviets intended to use any element of force they had at hand whenever and wherever it would support their program of aggression and that we could not by 1954 build sufficient defense to repel, let alone deter, a Soviet atomic attack.

It was agreed by all that nobody could be sure of Soviet intent; but it was also agreed that the adequacy or inadequacy of the United States defense program could only be established after the Defense Department had supplied the other interested Government agencies with the details of that program.

The Korean invasion ended all the long, and at time bitter, disagreement between Government departments as to whether the Soviet intended to use force when it was considered expedient.

During recent months, however, in discussions of NSC 68, there has continued a clear difference of opinion between those who still favor "containment" as a policy, and those who believe containment is not practical, either from an economic or a military standpoint.

The State Department contends that this country should have enough military power to deal with any form of Soviet aggression. Each time it becomes necessary to confront a local situation, however—Formosa, Greece, Iran, Indo-China—the State Department argues that military reaction if necessary at all should be on a localized basis.

In each instance the JCS representative and the Defense Department representative on the Senior Staff of the National Security Council both pointed out that the military capabilities at the moment were insufficient to handle any additional localizing action over and above Korea; and that the military requirements necessary to localize a series of Koreas would require a military establishment that could not be supported by any possible alliance of the democracies.

As part of its position, the military stated that the forces contemplated in NSC 68 would be adequate—

"(a) to provide a reasonable initial defense of the Western Hemisphere and essential allied areas, particularly in Europe.

"(b) to provide a minimum mobilization base while offensive forces are being developed."

The military feels, however, that these forces "will not be adequate to defeat the probable enemy unless augmented by full mobilization of the United States and her allies."

In connection with this basic difference as to what NSC 68 really means, the position of the National Security Resources Board has always been that this difference cannot be written away; that the only solution is a top level decision in favor of one interpretation or the other.

Until this difference is resolved, the State Department apparently will continue to regard NSC 68 as a guide for "localizing" aggression,

whereas the Defense Department may continue to promulgate military requirements based on their view that the policy of localizing aggression is impossible of fulfillment.

Until there are adequate military requirements which are based on current strategic guidance that reflects a fixed foreign policy for the United States, this country cannot plan effectively for its military, industrial, and civilian mobilization. The one great deterrent to the effective carrying out of statutory planning tasks has been failure to receive the information necessary to lace together in intelligent fashion the resources of the United States with the military and minimum civilian requirements.

Such requirements as have been furnished have come as bits and pieces, unrelated to any over-all planning for national security.

From the information available, our understanding of the reason for the failure of the military to present adequate requirements is that until recently the Armed Forces had done little forward planning on a joint basis.

During the first post-war years there was little war planning of any sort; and that done was on an individual dual service basis.

There are two types of war plans. One, the "capabilities" type, is based on the employment of forces in being to meet an assumed emergency. This type plan is necessarily under constant change.

The other is the long-range strategic plan developed for a possible general war.

This long-range strategic plan is also intended to provide the basis of mobilization planning, budget planning, and foreign military assistance programs.

Any "capabilities" plan is supposed to be a component part, at that particular moment, of the long-range strategic plan.

Since mobilization planning, however, is primarily based on long-range strategic plans, the present discussion will be limited to that latter type.

The genesis of the first long-range strategic plan was Mr. Forrestal's [20] directive to the three Services in 1948 for joint forward planning in connection with the budget for the Fiscal Year 1950. This was to be the basis for the first jointly prepared, three Services integrated, budget received from the Military Establishment.

A joint *Ad Hoc* Committee of the three Services thereupon attempted to formulate a budget which would enable the Armed Forces to be prepared to prevent disaster to the United States in case of war with Russia.

The history of this attempt included the Key West meetings.

Upon receipt of the military requirements developed at these meetings, Mr. Forrestal asked the Joint Chiefs of Staff to submit require-

[20] James V. Forrestal, Secretary of Defense, September 17, 1947–March 27, 1949.

ments demanding less expenditures; and it all ended with the imposition of a 1950 budget ceiling of $13.4 billion. This ceiling in itself largely determined the forces which the Military Establishment could maintain.

This first attempt at joint monetary planning was hindered by the fact no war plan for the period in question was available to this budget committee.

Until the Fiscal Year 1951, all recent military budgets had been prepared in a similar manner; i.e., a budget ceiling was imposed.

In response to a Munitions Board request for strategic guidance in mobilization planning in 1948, the JCS provided such direction for the first three years of a typical war, under estimated conditions at that time. In September, 1948, the JCS then gave this guidance to the three Services for (1) development of Service operational plans and (2) development of the requirements necessary to implement them.

Upon the submission by each Service of its requirement, the Munitions Board then added the three uncoordinated segments in order to determine the total requirements.

In the meantime, in order to secure some requirements estimates in advance, the Munitions Board requested the Services to develop flash estimates on 240 key items.

It was on these estimates that the NSRB first ran feasibility tests, and thereupon found some critical items impossible of attainment. Many requirements were greater than known available resources.

Early in 1950 the Munitions Board again asked the Services to list their requirements as soon as possible; these requirements this time to be based on current plans.

The Munitions Board later expressed dissatisfaction to the Services with what was given the Board as a planning base, because, although this information presented a general picture of the build-up of requirements over the first two years of a possible war, requirements for the third year were completely out of balance.

This out of balance condition resulted from the JCS planners using an earlier and obsolete plan for the third year.

The Munitions Board also criticized the planning information received, because, although agreed upon by the three Services as to policy and procedure, it was not jointly developed by the Services as to requirements. Therefore, neither the Munitions Board nor the NSRB had any real requirements against which to balance resources; nor is this information yet available to this Board.

Early in 1950 the JCS began work on an integrated long-range strategic plan. This is the current military strategic plan now related to NSC 68.

This plan was one for use in event war begins July 1, 1954. It was presumably the first JCS effort to afford a single basis for (1) emer-

gency war planning, (2) mobilization planning, (3) budget planning and (4) foreign military assistance.

In practice, however, said plan does not provide a basis for planning programs on these essential subjects, because the mobilization plan now being used is partially based on a previous one which did not contemplate holding the continent of Europe for more than the first few weeks of a general war. The new long-range strategic plan, however, as originally conceived, included plans for building the Western Europe defense to where, if war broke out in 1954, Soviet forces might be held along a line at the River Elbe.

Just when the military decided to include a defense on the Elbe as part of our military strategic planning is not known to the Resources Board. It is understood, however, that the decision was made sometime in the spring of 1950.

In any case, this change took place at the time the military planners understood there was no longer a budget ceiling upon their planning. This realization presumably developed from the President's emphasis that, without regard to cost, what he wanted was a military estimate from the Joint Chiefs of Staff as to what forces were required to meet the danger outlined in NSC 68.

Presumably this late change from a minimum defense of Europe to a full defense of Europe was a reflection of NSC 68, because this paper was the first effort to really integrate military planning with political policy. As such, therefore, it was an attempt to support the commitments the United States had made through such measures and pronouncements as the Marshall Plan and NATO, all intended to fortify Western Europe against aggression.

At any rate, although the current long-range plan and NSC 68 are understood to have been separately conceived, they have since been joined, and said long-range plan is now the JCS basis for the development of military requirements implementing NSC 68. It is also the basis for some elements of United States commitments to NATO.

The extent of United States force commitments to NATO are not entirely known to the National Security Council; therefore, it is not possible to make recommendations based on all the facts.

Now that the new critical date has been moved up two years from 1954 to 1952, however, the fallacy of using this latter long-range plan as a basis for formulating a current national defense structure is all too evident; because, if this latter plan was doubtful of accomplishment by 1954, it is obviously impossible by 1952.

The NATO forces considered essential by mid 1954 are understood to have included around 80 air groups; (exclusive of American strategic air power), of which 8 tactical groups were to have been furnished by the United States.

This would have meant that the nations of Europe were to contribute by mid 1954 some 72 air groups. Part of the equipment, planes, included in these 72 groups are to be supplied by MDAP.

An amount of this MDAP equipment—perhaps the planes for about 4 groups—should be available by that date, according to present production schedules.

If the ability to furnish that equipment by 1954 was doubtful, the same plan, but moved up to 1952, is obviously impossible.

Although now the need for a maximum national defense structure must be met two years earlier; viz., 1952 instead of 1954, the mobilization agencies have been given no evidence that the additional forces being developed, above and beyond the "interim forces" authorized by NSC 68/4 in December 1950,[21] are being balanced toward the possibility of a war in 18 months.

Nor is there evidence that these outdated force requirements being developed by the Army, Navy and Air Force are being integrated by the three Services into a single requirements plan.

The negative effect of this condition upon any proper mobilization planning cannot be over-emphasized. Revised full mobilization requirements now under development in the Defense Department are based on strategic assumptions which appear to be both internally uncoordinated and at least partially obsolete.

In summary, this paper presents those steps which must be taken to (1) mobilize the resources of the United States in the face of the great and growing danger of communist aggression, and (2) develop a coordinated plan which will insure carrying out this mobilization with minimum waste in men, materials, money and time.

The second point is vitally important because, provided this nation can now prevent war through rapid rearmament, it must still face the growing danger of economic disaster resulting from very high military expenditures necessary for itself and its allies over a period of years. No plan, therefore, which involves preventable waste should be acceptable.

This paper shows why a clear and positive foreign policy is essential to the future security of the United States. It also shows why such a policy should be based on a long-range concept, instead of one based on reaction to the action of other nations.

Without a clear and positive foreign policy, our military leaders cannot draw up the long-range strategic plan which is essential to national security.

Without such a long-range plan it is impossible for the Armed Services to furnish accurate information to the Munitions Board or anybody else as to the valid demands of the services necessary to implement both plan and policy.

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[21] For text of NSC 68/4, "United States Objectives and Programs for National Security," December 14, 1950, see *Foreign Relations*, 1950, vol. I, p. 467.

Present requirements requests sent the civilian planning agencies by the Munitions Board cannot and do not reflect such accurate planning.

As a result, it is today impossible to utilize the resources of the United States with efficiency.

Such inability might result in the defeat and enslavement of this country. Therefore there should be established promptly a national policy against which to plan and build our national defense.[22]

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[22] The following notation by the President appears at the bottom of the final page of the source text: "My dear Stu, this is [as] big a lot of Top Secret malarky as I've ever read. Your time is wasted on such bunk as this. H.S.T." The source text, bearing the President's comments, is located in the President's Secretary's File. No evidence has been found to indicate that it was ever returned to Mr. Symington.

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PPS Files, Lot 64 D 563

*Memorandum for the Record of State–Joint Chiefs of Staff Meeting Held in the Pentagon Building, January 24, 1951, 11 a. m.*[1]

TOP SECRET

PRESENT

General Bradley [2]
General Collins [3]
Admiral Sherman [4]
General Twining [5]
Admiral Duncan [6]
General Bolte [7]
General Landon [8]
Admiral Davis [9]
Admiral Wooldridge [10]
General Maddocks [11]
Admiral Robbins [12]
General Rogers [13]
Admiral Lalor [14]
Colonel Cress
Colonel Ladue

Ambassador Jessup [15]
Mr. Matthews [16]
Mr. Nitze [17]
Mr. Tufts [18]
Mr. Marshall [19]
Mr. Lay
Mr. Gleason

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[1] This meeting of the Joint Chiefs of Staff and representatives of the Department of State was the first of a series held throughout the year, generally on a weekly basis. The purpose of the conferences was to exchange information and opinions rather than to achieve agreement on the various issues discussed. Records of these meetings, 1951–1953, are in Lot 64 D 563, the files of the Policy Planning Staff, 1947–1953; records for the period 1951–1959 are in Lot 61 D 417, the files of the State–JCS Meetings, retired by the Executive Secretariat of the Department of State.

[2] General of the Army Omar N. Bradley, Chairman of the Joint Chiefs of Staff.

[3] General J. Lawton Collins, Chief of Staff, U.S. Army.

[4] Admiral Forrest P. Sherman, Chief of Naval Operations.

[5] General Nathan F. Twining, Vice Chief of Staff, U.S. Air Force.

Footnotes continued on following page.

### Method of Approaching the Review Called For by NSC 68/4

1. The group decided to take up certain questions (see para. 2) of over-all political-military strategy at this first meeting and to take up specific major areas of the world at subsequent meetings. In the light of these discussions and the guidance thereby provided, joint staff work might be undertaken for the preparation of papers for the group's consideration.

#### QUESTIONS BEARING ON OVER-ALL POLITICAL-MILITARY STRATEGY

2. The group had before it the following questions:

"(1) If general war comes within the next five years, would our prospects be better if it broke out early, midway, or late in this period?

"(2) In light of the foregoing and of domestic and foreign political considerations, how important is it to avoid general war early, midway and late in this period? What are the circumstances which would require us to fight?

"(3) Since the decision to initiate war is not wholly within our control and may be taken at any time by the Kremlin, are there additional measures—including foreign political measures—which we should be taking to prepare for general war?

"(4) In view of the continuing danger that the Kremlin will exploit local situations to its advantage, how can we avoid both general war and a disastrous deterioration of our over-all position through a series of local defeats?

"(5) How can we best conduct ourselves in light of the importance of having allies and in light of the danger that the U.S. may be restrained or committed by its alliance or by its participation in international institutions in a manner contrary to its interests?

"(6) How can the U.S., if possible, take the offensive or best prepare to take the offensive to undermine the Soviet system by means short of war?

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Footnotes continued from preceding page.

[6] Vice Admiral Donald B. Duncan, Deputy Chief of Naval Operations (Operations).

[7] Lieutenant General C. L. Bolté, Assistant Chief of Staff, GS-3, Operations, U.S. Army.

[8] Major General Truman H. Landon, Director of Plans, Office of the Deputy Chief of Staff, Operations, U.S. Air Force.

[9] Rear Admiral Arthur C. Davis, Director of the Joint Staff, Joint Chiefs of Staff.

[10] Rear Admiral Edmund T. Wooldridge, Representative of the Joint Chiefs of Staff on the Senior Staff, NSC.

[11] Major General Ray T. Maddocks, Army Member of the Joint Strategic Survey Committee, Joint Chiefs of Staff.

[12] Rear Admiral Thomas H. Robbins, Jr., Navy Member of the Joint Strategic Survey Committee, Joint Chiefs of Staff.

[13] Major General Elmer J. Rogers, Jr., Air Force Member of the Joint Strategic Survey Committee, Joint Chiefs of Staff.

[14] Rear Admiral William G. Lalor, U.S. Navy (ret.), Secretary, Joint Chiefs of Staff.

[15] Philip C. Jessup, Ambassador at Large; Representative of the Department of State on the Senior Staff of the National Security Council.

[16] H. Freeman Matthews, Deputy Under Secretary of State for Political Affairs.

[17] Paul H. Nitze, Director of the Policy Planning Staff, Department of State.

[18] Robert W. Tufts, Member of the Policy Planning Staff.

[19] Charles Burton Marshall, Member of the Policy Planning Staff.

"(7) How do we apply the general principles and general considerations developed in the foregoing discussion to the concrete problems which face us?"

DISCUSSION OF FACTORS BEARING ON OVER-ALL POLITICAL-MILITARY STRATEGY

3. Precise answers to the above questions cannot be obtained without considerable discussion of the over-all factors bearing on our political-military strategy and of the specific problems we confront, area by area.

4. With reference to the time factor (see para. 2, Questions 1 and 2), the Joint Chiefs of Staff made the following points:

*a.* The capabilities of the Army and the Air Force will greatly improve in 18 to 24 months, largely because substantial and steadily increasing quantities of equipment will begin to flow off the production lines in about 12 months.

*b.* The Soviet Union has the capability of overrunning Western Europe at any time during the next two or three years. Thereafter, this Soviet capability will decline relative to Western defense capabilities until in perhaps five years—depending on the rate and scale of Western European defense efforts—we could be fairly confident of defending Western Europe against a Soviet attack.

*c.* A key factor in our evaluation of future trends is the Soviet production of atomic bombs. General Collins is somewhat skeptical of Russia's ability to translate a laboratory bomb into a mass production bomb and feels that there is a need for intensive efforts to obtain better information on Soviet atomic capabilities.

*d.* Our ability to defend the United States against air attack is steadily improving, but, in view of the nature of modern weapons, the chances of a successful attack probably increase more rapidly than the capabilities for defending the United States against an attack.

*e.* In general, from a military point of view, time is on our side, and our prospects for victory in the event war comes are steadily improving. The critical period, in terms of relative military strength, is the period of the next two or three years. If war comes during this period, though we would probably not lose it, we would have a difficult time winning it.

5. The State representatives felt that time is also on our side politically. The realization that Western Europe can be overrun is directly related to the tendency of certain Western European countries, notably France, to take a "soft" attitude towards the Soviet Union.

6. With reference to our relations with our Allies (see para. 2, Question 5), the following points were brought out:

*a.* Some of our Allies believe that the United States is divided on the importance of avoiding war in the period immediately ahead.

In some Allied quarters there is a view that the U.S. is moving towards actions, particularly in the Far East, which would greatly increase the danger of war. Although it should be evident that the U.S. desires to avoid war, it might be helpful in our relations with our Allies to make clear to them our evaluation that time is on our side.

*b.* Ambassador Jessup pointed out, with reference to the position of the U.N. on such problems as Korea and the condemnation of Communist China as an aggressor, that the real problem for the United States is not our position vis-à-vis the U.N. but the working out of common policies with the British, the French, and other members of the U.N.

*c.* General Bradley indicated that it is difficult to educate the U.S. public on the importance of having Allies and of reaching agreement with them on policy problems without informing the Soviet Union of our plans and without putting ourselves in a poor bargaining position with our Allies. General Collins felt that this underlines the need for and importance of a coordinated program of public information and psychological warfare.

*d.* The Joint Chiefs of Staff felt that it is very important to have reliable Allies. Admiral Sherman suggested that it might help to clarify the problems of our relations with our Allies were we to identify our allies. The list is longer than NATO—which excludes, for example, Germany, Japan, and Turkey—and shorter than UN. Ambassador Jessup thought it might be useful to divide the list of Allies into two parts:

(1) those nations which are already firmly allied with us and
(2) those potential Allies with which it is still necessary to work out the necessary arrangements.

7. With reference to the problem of halting Soviet expansion (see para. 2, Question 4), the following points were brought out:

*a.* It is important to draw a line somewhere against further local acts of aggression, even though time is working in our favor.

*b.* The problem of deterring local acts of aggression has been increased, Admiral Sherman and General Collins felt, by the fact that the United States, under the pressure of the U.N. and its Allies, has indicated that it will not retaliate against China for its aggression in Korea. Therefore, the Soviet Union and its satellites can undertake further acts of aggression with more confidence that they will escape retaliation than if we had not given these indications and had kept them guessing whether we would retaliate.

*c.* . . .

8. The discussion of political warfare (see para. 2, Question 6) brought out the following points:

*a.* The purpose of political warfare, Mr. Nitze indicated, is to exploit all possibilities for creating breaks and increasing tensions between Russia and the satellites and for developing "mushiness" within China and, if possible, in other areas.

*b.* General Collins emphasized the importance of leading from strength in the conduct of political warfare and felt that we would have to be somewhat circumspect for perhaps 18 to 24 months while our power position is relatively unfavorable. Mr. Nitze suggested that we can initiate strong political offensives when we have the strength to react locally. Admiral Sherman felt that it is important to under-

take political warfare activities in the countries which are in danger of falling into or being taken into the Soviet camp, such as Iran.[22] General Collins pointed out that we are doing a good deal in Iran militarily but that we are not doing enough politically and economically, as, for example, by using our influence to obtain a satisfactory agreement between the AIOC and Iran.

### Next Meeting

9. The group decided to meet Tuesday, 30 January 1951, at 1500 to discuss the Far East.

[22] Documentation on United States policy with respect to Iran is presented in volume v.

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PPS Files, Lot 64 D 563

*Memorandum by Messrs. John H. Ferguson*[1] *and Robert W. Tufts of the Policy Planning Staff*

TOP SECRET [Washington, January 29, 1951.]

### A Theoretical Examination of Future Soviet Action

The Politburo is, of course, constantly examining the opportunities in the world situation. Granting that it does not operate according to a fixed timetable and a fixed master plan and granting that no final decisions are taken until the moment for action has arrived and a final review is made, it must also, we assume, project the possible development of the world situation and make tentative decisions as to future courses of action.

This memorandum suggests that its analysis may indicate to the Politburo the possibility that 1951 may be the year in which to fulminate the world crisis. Whether the conditions which would convert this tentative conclusion to a firm decision are in fact realized will depend on its success in exploiting present opportunities and on the actions and reactions of other governments.

The theory on which this evaluation might be based is set forth below. In our view, the theory conforms to the logic of the situation and finds some support in external evidence.

The theory and the argument in support of it, as it might be presented by its advocates in the Politburo, are as follows:

The massive fact which confronts the Soviet Union is the mobilization of strength at the center in the U.S. The budget just presented to the Congress[2] calls for a defense effort equal to the total annual product of the U.S.S.R.

[1] Deputy Director of the Policy Planning Staff.

[2] For the President's Annual Budget Message to the Congress: Fiscal Year 1952, January 15, 1951, see *Public Papers of the Presidents of the United States: Harry S. Truman, 1951* (Washington, Government Printing Office, 1965), pp. 61–106.

The deterrents to the Soviet Union to date have been the atomic striking power of the U.S. and the U.S. industrial potential together with the potential of Europe and the Commonwealth. As the potential of the non-Soviet world is converted to actual strength, the chances of eventual Russian victory in a war between the U.S. and the U.S.S.R. decline, and it is therefore during the period of building up such strength that action by the Soviet Union is essential.

The response of the U.S. and the U.N. to the invasion of South Korea by the North Koreans was to some extent surprising and has complicated the relations between the U.S.S.R. and Communist China. The present situation, however, provides the U.S.S.R. with certain advantages which can be realized. It is true that Chinese intervention in Korea has made it more difficult for the Soviet Union to exercise direct control in that area and in Manchuria, but the necessity of Chinese reliance on Soviet assistance can accomplish the same purpose by forcing indirect Soviet control on the Chinese Communists in these areas and throughout Asia. As long as the Chinese Communists are heavily engaged in military actions in the Far East which are resisted by the U.S. and other non-Soviet powers, reliance upon the Soviet Union as a source of military supply and economic aid will prevent a Tito-ist defection by the Chinese Communists. The Soviet Union does not want to see the U.S. on the mainland of Asia in any substantial way, but it is not to the disadvantage of the Soviet Union to seek to maintain conditions in the Far East which prolong hostilities and delay the creation of stable internal conditions in China.

The Soviet Union should try to focus the attention of the U.S. on the Far East because it is in that area that U.S. strength can be engaged with the least likelihood of the necessity of utilizing Soviet forces, and it is there that U.S. involvement will create the most serious divisive influences in the western alliance. If the preponderance of the growing U.S. strength can be channelled into the Pacific-Asiatic area during the period before U.S. capacity is adequate for successful employment to more than one theater of operations, such strength will be dissipated on inconclusive Asiatic adventures and its absence in Europe and the Eastern Mediterranean will serve the additional purpose of leaving the Eastern Mediterranean and the Middle East exposed and of increasing neutralism and flabbiness in Western Europe.

In short, during the period of build up of U.S. strength the Soviet Union must divert the effect of such strength as much as possible away from Europe and the Mediterranean in order to secure for the Soviet Union the maximum possible freedom of action in that theater, which is the essential prize and ingredient in an ultimate armed contest between the U.S. and the U.S.S.R.

But it is not enough during the period of the U.S. build up of strength to tie down the increments of this strength in the Far East, since the enormous potential of the U.S. will shortly be converted into actual capacity sufficient for more than one theater and large enough to threaten ultimate victory for the U.S.S.R. In fact, where the U.S. potential is close to realization it may be enough to deny to the Soviet Union the ability to secure quickly and utilize effectively the potential of Western Europe. It is therefore essential to acquire Western Europe as speedily as possible.

Military action against Germany, where U.S. troops are stationed, would immediately involve the U.S.S.R. itself in war and would subject it to an atomic strike. An attack against Iran or Finland would involve use of Soviet forces. But action by the Eastern European satellites against Yugoslavia might not have either of these results. In any case, if the Soviet Union chooses or is forced to move against Western Europe, the invasion of Yugoslavia would be necessary. If the U.S. does not react totally to the invasion of Yugoslavia, this action would secure the Eastern Mediterranean flank and neutralize all the substantial ground forces on that part of the perimeter of the Soviet Union now available to the West. If the U.S. did react totally, nothing would have been lost, since the Soviet armies could then proceed with the occupation of all of the European continent and an attempt to neutralize or conquer the British Isles. The Soviet Union must be prepared to take both steps, but the second would depend on U.S. reaction when Yugoslavia was invaded. Should the U.S. and Western Europe merely give the Yugoslavs a small amount of air and naval support, Tito's forces would only be able to hold certain mountain areas, and the disastrous consequences of the presence of the Soviet empire on the shores of the Adriatic as well as the Elbe would effectively paralyze the infant defense efforts in Western Europe. With the western alliance thus torn by dissension over U.S. action in the Far East and by the traumatic paralysis in Western Europe, the Soviet Union would have little difficulty in forcing the continental European states into an accommodation and away from their Western orientation.

The Soviet Union must interpret the build up of strength in the U.S. and Western Europe as an effort to create forces for the destruction of the Soviet Empire. It therefore must anticipate a war between the U.S. and the U.S.S.R. and an atomic strike on the Soviet Union itself. Since it is impossible to prevent the conversion of the U.S. potential into actuality, as much as possible of the rest of the non-Soviet world must be detached from the western alliance and utilized as a source of additional strength by the Soviet Union. If all Eurasia can be secured by the U.S.S.R. without war with the U.S., the shift in the power equation would be so great that even the U.S. potential

would not endanger ultimate victory for the U.S.S.R. In any case, the Soviet Union must attempt to shift the power equation before the U.S. build-up is completed, and if the process causes a U.S.–U.S.S.R. war, then it is better to have that war now before U.S. strength has increased to the point to which it might be able to delay the utilization by the U.S.S.R. of the European potential, or even deny large parts of this potential to the U.S.S.R.

Probably within the next year and certainly within the next two years, the strategy of the Soviet Union must be to make a series of moves all over the world. It must first assure the continued and increasing involvement of the U.S. in the Far East where no decision is possible, and second, during such involvement, the Soviet Union must neutralize and/or destroy the Yugoslav-Greek-Turkish forces on its flank and acquire the rest of Europe. In the European aspect of this strategy, the first move should be the invasion of Yugoslavia, and if that brings forth a total reaction from the U.S., the military conquest of the rest of Europe must be planned for simultaneous accomplishment.

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S/S–NSC Files, Lot 66 D 148

*Statement by the Director of Defense Mobilization (Wilson)*[1]

SECRET WASHINGTON, February 1, 1951.
ODM Doc. 4

DEFENSE PRODUCTION POLICY

1. The development of adequate defense requires the immediate production of the weapons of war and supporting equipment required to meet the approved plans of the Defense Department for our own forces and also for the military support of our allies in accordance with such agreements as have been or may be reached.

2. The program to provide these immediate demands must be directed to provide production lines which will sustain a greater output than contemplated in the immediate program, to be available as a reserve for war.

3. This program of military and related end items is of utmost urgency and, therefore, must receive a higher priority than any other program. To meet it will require some expansion of facilities and some additional provisions for raw materials. A determined effort must be made to avoid the creation of additional facilities, inasmuch as

[1] This statement was read and noted at the 82d Meeting of the National Security Council, February 1, the President presiding. By memorandum of the same date, S. Everett Gleason, Acting Executive Secretary of the NSC, transmitted copies to the NSC members and to the Secretary of the Treasury and the Director of Defense Mobilization. (S/S–NSC Files, Lot 66 D 148) Regarding NSC action with respect to this statement, see footnote 2, p. 51.

machine tools now on hand in the national economy more than suffice to use all available materials, and each additional facility which is included in the program adds to the demand for materials in scarce supply. However, to the extent essential to the immediate program, facilities and provisions for raw materials must have the next priority.

4. In addition to meeting the immediate security program, the United States must prepare to meet the calculated demands for total war. This will require stockpiling and/or increasing production in areas relatively safe against attack to provide the materials needed to sustain a civilian economy sufficient to support a full war effort as well as that effort. Obviously, this is a program of relative security and, hence, the provisions to be made to assure an adequate war supply should not eliminate all risks. Great care must be taken to avoid the compounding of safety factors, both in computing requirements and in determining the availability of materials. Programs must be developed which may be expected to sustain total war, but which have taken into consideration those risks which can be calculated and reasonably evaluated. Absolute security in this field must be a long-range, rather than an immediate task. Reasonable security involving the calculated risk must govern during the immediate period in which so many other demands must be met from our economy.

5. It is inevitable that, as a consequence of the defense program and the attractive financing arrangements which result necessarily therefrom, many large programs will be submitted in allied fields which have in view the strengthening of the general economy to sustain a maximum war effort. This will include such programs as the provision of additional oil refining capacity, pipelines, ocean-going tankers, tank cars, electric power and others. Each of these programs must be scrutinized with great care. With rare exception, only those programs required for the immediate support of the present military end item program should be placed underway now, and their continuation to support a maximum war need should await the meeting of present needs. Otherwise, conflicting programs are certain to develop to delay, rather than to hasten the accomplishment of the overall objective.

6. Our defense effort must be continued as long as the threat of war continues, which must be assumed now to mean a period of a number of years. During this period, it is essential to maintain a sound and healthy national economy which alone can insure maximum production output if and when war does come. To build up at an excessive rate beyond the immediate needs of relative security could well disrupt the economy to a degree which would make it impossible to divert anywhere nearly as large a proportion of our productive output to war, if war comes, as would be necessary. The presently approved military program provides the basic requirements for security. With this equip-

ment on hand and with a sound and healthy economy, a declaration of war would find the United States prepared to expand with sufficient rapidity to meet the demands of total war. Moreover, this economy will be able to maintain a large defense production program for as long as necessary and, concurrently, a healthy standard of living for the American people.

7. The present program can be met and still permit the maintenance of a substantial civilian economy and the support of a reasonable export program, provided there is no hesitation in using controls as needed. The prompt use of controls now will reduce to a minimum the disruption to our economy and in doing so will make it possible for a release of such controls at an early date; whereas, to wait to apply controls will certainly result in the imposition later of controls for a much longer and indefinite period. With the proper use of controls, it is possible to meet a defense program of the present magnitude over the years ahead as long as necessary, and to return within a period of from two to three years to a relatively normal economy. Meanwhile, inventories on hand and particularly those under the control of the individual, should suffice to very closely maintain our present standard of living even during the period of acute shortages of scarce materials.

8. Our immediate program must be met with a high sense of urgency and determination. However, we must not be stampeded into undertaking programs for the sake of defense which will, through their effect on our economy, decrease our ability to wage war. Each and every program and project must be examined and approved with these considerations in mind.

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PPS Files, Lot 64 D 563

*Memorandum by Mr. Robert P. Joyce to the Director of the Policy Planning Staff (Nitze)*[1]

TOP SECRET [WASHINGTON,] February 2, 1951.

Subject: "A National Strategy for the Soviet Union"

I attach hereto the text of an address made last week to the National War College by Admiral L. C. Stevens.[2] I think that you will want to read what Stevens has to say and all members of S/P as well.

Stevens returned from Moscow less than one year ago. He was for almost three years Naval Attaché to the American Embassy. He is a

[1] Joyce was a member of the Policy Planning Staff, Department of State. On February 2, he transmitted a copy of this memorandum to W. Averell Harriman, Special Assistant to the President. On February 21, Theodore Tannenwald of Harriman's office transmitted the document to Charles Murphy, Special Counsel to the President, for the White House files. (Truman Library, President's Secretary's File, PSF–General)

[2] The text of the address (delivered January 25) is not printed.

student of not only communism and the Soviet Union but also of Russia and the Russians. He is presently with the JCS and one of his more important duties is to act as Consultant to OPC of CIA.

Admiral Stevens in his address considers Soviet capabilities, intentions and strategy.

A few quotations will give you some of the flavor of Stevens' carefully thought out and prepared analysis:

"When I first went to Russia, three and a half years ago, I believed that there was a general tendency to under-rate its capabilities . . . . I ended up with the firm conviction that we vastly over-rate them . . . ."

"The sum total of our estimates is not consistent with what I have experienced in Russia, and I believe that it comes from piling incorrect assumptions and inferences one on another . . . . The seriousness of an under-estimate is obvious, so it is extremely difficult to curb the tendency to err on the safe side. I know of no remedy other than living in Russia for the unconscious substitute of American conditions and criteria for Russian ones."

"In my opinion, the national strategy of the Soviet Union not only would not contemplate any global war of her own choosing under the conditions that now obtain in the world as long as the West continues to demonstrate that the basic communist philosophy is false. [*sic*]"

"The essential need of bolshevism is to hold the one great base they have captured and whose control they have most consolidated. The risk of losing it is too great, and there will be no planned war on the part of the Soviets so long as there are other ways of making progress toward their goal or until the odds of eventual victory are much more in their favor . . . . A military solution is viewed by them in a different perspective than it is in America where military thinking is a powerful force . . . . and the goal of a communist world controlled by a single part is not identical with the worldwide expansion of the Soviet Union."

"Even after 30 years of absolute control, education and propaganda, there is reason to believe that large numbers of Russians are not sold on the regime. The Party has much reason not to trust their expanded mass armies when exposed to other influence abroad."

"The only circumstance which would seriously tempt them to such a move (preventive war against the West) is the possession of such a stock pile of atomic bombs that they could be sure of effectively eliminating the United States at a single blow and this circumstance seems to me to be extremely unlikely of arising for many years."

"We are an impatient people, always desirous of getting annoying things over with so we can go about our normal affairs. The spirit of 'get the boys home by Christmas' is very typical to us. The virtues of patience appeal much more naturally to the Soviets . . . . Our view is apt to be short-ranged and theirs long-ranged. One characteristic of the long-range view is that it is under a lesser compulsion of taking risks."

"Unless the West itself initiates a war, which would be devastating on both sides . . . . it seems probable that for many, many years we shall be confronted with much the same sort of dangerous uneasy world in which we now live."

"I do not believe that there is a specific Soviet plan that governs the future any more than there is a plan for the initiation of global war on any specific date."

"I do not believe that open war will be chosen (by the Soviets) as a solution until all other means of achieving the ultimate goal have failed . . . ."

The above quotations out of context do not, of course, provide the full impact of Stevens' reasoning and the speech should be read in full. I understand that this speech has caused quite a stir in certain military circles and in particular in the Air Corps.

ROBERT P. JOYCE

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PPS Files, Lot 64 D 563

*Paper Prepared by the Deputy Director of the Policy Planning Staff (Ferguson)*[1]

TOP SECRET [WASHINGTON, February 8, 1951.]

GENERAL CONSIDERATIONS WITH RESPECT TO ALLIES OF THE UNITED STATES

COMPARATIVE STRENGTH

In the last five years the Soviet Union has proceeded as rapidly as it could with the development of its own resources and the expansion of its armed forces. It has also enlarged its empire to include eastern Europe and China.

2. The non-Soviet world still has far greater resources and a far larger military potential than the Soviet empire. Much of the strength of the non-Soviet world, however, lies in Western Europe, the Middle East and Southeast Asia, all of which are experiencing increased Soviet pressure.

3. The Soviet Union is aware of the fact that the resources and potential of the non-Soviet world would probably result in the ultimate defeat of the Soviet Union unless a significant part of such resources and potential can be utilized by the Soviet Union or at least denied to the free world.

4. There would be a critical shift in the ability of the United States to achieve ultimate victory if the Soviet Union succeeded in utilizing or denying to the West all or even a substantial part of the resources and potential outside of the Western Hemisphere.

THE CRITICAL IMPORTANCE OF THE NEXT FEW YEARS

1. Our objective must be to maintain as much strength in the non-Soviet world as we can against the possibility of a conflict with the Soviet Union.

[1] The source text is labeled "II Draft." No evidence that a subsequent draft was prepared has been found.

2. We not only need as much assistance as possible from the whole free world in the event of an armed conflict with the U.S.S.R. but we also need to retain in the free world as much strength as possible in order to deter the Soviet Union from aggressive action and to increase the possibility of a change in the Soviet Government.

3. To achieve any of our objectives, certain areas are clearly of more importance than others, and where the importance is of a critical nature to us we shall have to so conduct ourselves and so determine our policy that we assure the commitment of this strength to our purposes.

THE RELATIVE IMPORTANCE TO THE UNITED STATES OF VARIOUS PARTS OF THE NON-SOVIET WORLD

1. *The Western Hemisphere* [2]

Canada and the American Republics are crucial to the ultimate survival of the United States. In fact, the Western Hemisphere as a whole constitutes our power base. It is necessary both to deny any part of the Western Hemisphere to an enemy and to draw upon the natural resources and manpower of the Hemisphere in any military contest.

2. *The United Kingdom* [3]

The necessity of the United Kingdom as an ally is of critical importance. The British Isles provide essential bases for our own air and naval forces and the relations of the U.K. to various parts of the Mediterranean, where we shall certainly have to operate in the event of conflict with the U.S.S.R., have great advantages. Gibraltar, Malta, Cyprus, the Suez and the Sudan will all play their part in any strategy directed toward the Soviet Union itself and toward Europe and the Middle East. In addition, British military forces will be operating on the ground in the Arab area.

In the Far East, the importance of the Malay Peninsula and parts of the Indonesian Archipelago may be crucial in halting Soviet expansion over the whole of Asia as well as the island chain from the Philippines through the Japanese islands.

In addition, the relationship between the United Kingdom and the British Commonwealth is one which has advantages to us which we could not forego.

3. *The British Commonwealth*

Except for India, the British Commonwealth countries are firmly attached to the western alliance and it is upon them that we would

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[2] For documentation on United States policy with respect to the defense of the Western Hemisphere, see vol. II, pp. 985 ff.

[3] Documentation on United States relations with the United Kingdom is included in volume IV.

have to rely most heavily should the Soviet Union move into the Middle East and Western Europe before our strength and the strength of the NATO countries was developed to a point at which successful defense was possible. Any division between us and the members of the British Commonwealth, including India, would be a great disadvantage to us in deterring the Soviet Union or in combatting it. In the case of India and Pakistan, it is unlikely that we shall succeed in securing any substantial military assistance for a number of years, but we must try to secure assurance that India will not willingly associate itself with the Soviet Union and that neither its manpower nor its resources shall be at Soviet disposal.

4. *Western Europe*

The members of the North Atlantic Treaty Organization, together with Spain, represent the great prize in a contest for power. As a result of the commitments under NATO, these allies, with the exception of Spain, are firmly tied to the western alliance. Such formal commitments, however, would be of little value if the sentiment of neutrality paralyzed their efforts to build from their present weakness to a new strength. The Soviet Union is seeking with every means short of war to deny us the assistance of Western Europe and leave us with only the form. These efforts must be successfully resisted and since we cannot afford to have Western Europe utilized in the power struggle by the U.S.S.R., armed aggression against Western Europe would necessarily result in a global conflict.

5. *Germany and Japan*[4]

In the last war the strength which Germany and Japan were able to develop brought much of Eurasia, the Pacific and Africa under their domination. The potential strength of these two areas in the hands of the Soviet Union would greatly affect the power balance between the U.S.S.R. and U.S. Our problem with respect to these two former enemies is two-fold, since we must not only deny them to the U.S.S.R. but also we must seek to utilize their potential in our own behalf. Their neutralization would be an invitation to their absorption into the Soviet Union and therefore their orientation toward the West must be accomplished and must carry with it the will to develop their strength for the common purpose of the non-Soviet world rather than their own aggrandizement.

6. *Yugoslavia, Greece, Turkey and Iran*[5]

This arc on the periphery of the Soviet Union is the shield of the Middle East and, perhaps even more importantly, of Africa. The

[4] For documentation on United States policy with respect to Germany, see vol. III, pp. 1344 ff. Regarding U.S. policy with regard to Japan and the Japanese Peace Treaty, see vol. VI, Part 1, pp. 777 ff.

[5] Compilations on United States policy with respect to Greece, Turkey, and Iran are included in volume V.

forces in being in Yugoslavia, Greece and Turkey are the most sizable and best trained forces presently in existence on the Eurasian land mass which are available to the non-Soviet world. These forces have probable capacity of holding a bridge to Eurasia in the event the U.S.S.R. occupies Western Europe. The loss of Yugoslavia and Greece would almost surely prevent the development of an adequate defense in Western Europe and the defeat of Turkey would provide access to Africa. The defeat of Iran would permit the flanking of Turkey and would also provide access to Africa.

7. *The Arab States and Israel* [6]

It is unlikely that sufficient military strength can be developed to deny this area to the Soviet Union in the event of the defeat of Iran, and certainly in the event of the defeat of Iran and Turkey. The petroleum resources of the Middle East are of great importance to Europe and would have great strategic value to us in the event of war with the Soviet Union. Access to Africa through the Arab States makes the area of even more significance.

8. *Africa* [7]

In the event of war with the U.S.S.R. in the next few years, Africa would be essential as a base of operations. It would give us the possibility of continued air attacks on the U.S.S.R. power base and would provide us with the necessary opportunity for a build-up of strength directed to the re-invasion of Europe. Without Africa, it is doubtful whether the invasion of Eurasia under Soviet control would be possible.

9. *Southeast Asia and Indonesia* [8]

The conquest or control of Southeast Asia and Indonesia by Soviet dominated forces would provide the Soviet orbit with vital resources and greatly reduce the availability to us of these resources. Such conquest or control would also threaten India, Australia, New Zealand, and the Philippines, and weaken the U.S. position in the whole Pacific area.

10. *The United Nations* [9]

While our relations with the United Nations are in a sense only the reflection of our relations with the members of the U.N., it is necessary to recognize the very substantial importance to us of collective

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[6] For documentation on the Arab–Israel dispute over the future status of Palestine and on United States relations with various Arab states, see volume v.

[7] Documentation on general United States policies with respect to Africa is printed *ibid.*

[8] For documentation on the defense of the East Asian-Pacific area and on U.S. relations with Indonesia, see vol. vi, Part 1, pp. 1 ff. and 583 ff., respectively.

[9] For documentation on United States policy at the United Nations regarding specific area problems, see the appropriate regional volumes. For documentation on general U.S.–U.N. relations, see vol. ii, pp. 1 ff.

action and wide international approval. The U.N. is not a substitute for allies, but a means of working with them.

CONCLUSION

The United States will frequently find, as it has in the case of its position with respect to Communist China and the Nationalist Government on Formosa, that it will not always have the automatic support of other areas of the world important to it as allies in the cold war period and essential in the event of actual hostilities. Where differences occur on questions which appear to the U.S. to relate closely to our security, we shall not be able to give up our positions, but we must make every effort to maintain our positions in a way least disruptive to our important allies. Whatever we do must be weighed carefully in this context and the number of disagreements between us and other friendly countries must be held to a minimum if we are to have the rest of the friendly world genuinely with us when we need them most. Since certain of our allies will strongly desire some actions which will be strongly opposed by others of our allies, we shall have to consider our own interest in terms of both our own security and the relative importance of the allies who would be directly affected.

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*Editorial Note*

During the month of February 1951, the Senate Committees on Foreign Relations and Armed Services conducted joint hearings concerning the question of the stationing of United States troops in Europe. These proceedings dealt in part with the general national security of the United States. For the text of the statement delivered by Secretary of State Acheson on February 16, see *Assignment of Ground Forces of the United States to Duty in the European Area: Hearings before the Committee on Armed Services, United States Senate* (82d Cong., 1st sess.), pages 77–86, or Department of State *Bulletin*, February 26, 1951, pages 323–327. Other Administration witnesses included the Secretary of Defense and the members of the Joint Chiefs of Staff.

S/S–NSC Files, Lot 66 D 148

*Memorandum by the Assistant Secretary of State for Economic Affairs (Thorp) to the Secretary of State*

SECRET [WASHINGTON,] February 20, 1951.

Subject: National Security Council Agenda for February 21, 1951, Item No. 2—Defense Production Policy—ODM Doc. 4, dated February 1.[1]

*Problem*

The above policy paper is to be resubmitted by the Director of the Defense Mobilization for consideration by the Council.

*Recommendation*

The Secretary should agree with the general recommendations and conclusions of ODM#4 but should point out that the discussion in that paper does not appear to give adequate consideration to the necessity for maintaining the basic economic health of friendly countries as well as of the United States. While this domestic bias does not materially affect the specific recommendations of that paper it may be symptomatic of a trend of thinking that could endanger the defense effort and solidarity of the free world.

The Secretary should agree with the inference in paragraph 7 of the document as to the desirability of "a reasonable export program" but should take the occasion to point out that our export programs for commodities in short supply cannot be expected to be reasonable: (*a*) so long as export quotas are imposed on commodities the domestic consumption of which is not restricted, nor (*b*) so long as the United States limits exports through quotas but provides no positive mechanism, such as export allocations, to enable foreign countries to purchase the full amounts of their quotas.

*Discussion*

ODM Document #4 is devoted primarily to an exhortation against excessive expansion of production facilities which will exceed the materials available for consumption and to outlining a policy in favor of the prompt imposition of adequate controls at present in order to prevent the need for more stringent controls at a later date. The document holds forth the hope that, with such a program it will be possible to relax controls as soon as the approved military program has been achieved.

The effects of the paper, from the point of view of foreign policy, are defects of omission. For example:

Paragraph 3 gives second priority to "facilities and provisions for raw materials" without any reference to the fact that the most essential facilities will, in many cases, be outside U.S. borders.

[1] *Ante*, p. 40.

Paragraph 4 refers to the need for stockpiling enough materials to "sustain a civilian economy sufficient to support a full war effort" without reference to the need for sustaining the economy of countries expected to be our allies.

Paragraph 6 refers again to "a healthy standard of living for the American people", with a similar failure to mention the standards of friendly countries.

In a number of cases, the United States has imposed export quotas on commodities before the imposition of any restrictions on domestic use. Friendly countries have been particularly disturbed by the size of our export quotas for sulphur and cotton, neither of which is under domestic allocation. Some countries are also becoming increasingly disturbed by the inability to obtain the acceptance of orders by American manufacturers, even where the commodity is not subject to export restrictions. If the U.S. is to maintain a reasonable export program in order that scarce materials may be used where they will make the most effective contribution to the world defense effort we are going to have to recognize that certain exports are essential from the point of view of our own military and political strength.

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S/S–NSC Files, Lot 66 D 148

*Memorandum for the National Security Council by the Executive Secretary (Lay)*

SECRET WASHINGTON, February 20, 1951.

Subject: Defense Production Policy

References: A. NSC Action No. 435 [1]
B. Memo for NSC from Acting Executive Secretary, same subject, dated February 1, 1951

The enclosed document on the subject, transmitted by the Office of Defense Mobilization, is submitted herewith for consideration by the National Security Council at its meeting on February 21, 1951, concurrently with the previously circulated statement by the Director of Defense Mobilization (Reference B).

The Office of Defense Mobilization recommends that the Council concur in the statement of defense production policy attached to the reference memorandum of February 1, subject to the amendments

[1] NSC Action No. 435 recorded the fact that the National Security Council had, at its 82d Meeting, February 1, taken note of the statement by the Director of Defense Mobilization of that date (ODM Doc. 4, p. 40). (NSC Action No. 435: S/S–NSC (Miscellaneous) Files, Lot 66 D 95)

thereto proposed by the Department of Defense in subparagraphs *a* and *b* on page 1 of the enclosed document.[2]

JAMES S. LAY, JR.

[Annex]

*Memorandum by the Office of Defense Mobilization* [3]

SECRET [WASHINGTON,] February 19, 1951.

ODM Doc. 4/1

Subject: Defense Production Policy

Contents: Answers to questions on ODM Doc. 4, as raised at the fourth meeting of the Defense Mobilization Board, February 14, 1951.

Comments: ODM Doc. 4 was communicated to departments and agencies concerned in the following manner: (*a*) submitted to the National Security Council, February 1; (*b*) read to third meeting of ODM Mobilization Executives Staff, February 7; (*c*) read to fourth meeting of the Defense Mobilization Board, February 14, 1951.

Reference: ODM Doc. 4, February 1, 1951.

With respect to the questions raised at the Defense Mobilization Board meeting on February 14, 1951, with reference to ODM Doc. 4, being a statement on Defense Production Policy, the following replies are suggested:

*Department of Defense*

The changes recommended in wording in the following comments of the Department of Defense are acceptable.

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[2] NSC Action No. 442, which records the action taken on this matter by the Council at its 84th Meeting, February 21, reads as follows:

"*Defense production policy*

(Memos for NSC from Executive Secretary, same subject, dated February 1 and 20, 1951)

"*a.* Discussed the statement by the Director of Defense Mobilization on the subject, attached to the reference memorandum of February 1, in the light of the comments with respect thereto in the enclosure to the reference memorandum of February 20.

"*b.* Generally concurred in the defense production program as outlined by the Director of Defense Mobilization.

"*Note:* The Secretary of Commerce, the Economic Cooperation Administrator, the Director, Bureau of the Budget and the Chairman, Council of Economic Advisers participated in the above actions by the Council, the Acting Secretary of the Treasury and the Director of Defense Mobilization."

(NSC Action No. 442: S/S–NSC (Miscellaneous) Files, Lot 66 D 95)

[3] The Defense Mobilization Board, established by Executive Order 10200 of January 3, 1951, was charged with the coordination of policies and activities of the principal departments and agencies participating in the defense program. Its membership included the Director of Defense Mobilization; the Secretaries of State, Defense, Treasury, Interior, Commerce, Agriculture, and Labor; the Administrator of the Reconstruction Finance Corporation; the Chairman of the Board of Governors of the Federal Reserve System; the Chairman of the National Security Resources Board; the Administrator of the Economic Stabilization Agency; and the Administrator of the Defense Production Administration,

"The Department of Defense concurs with the views expressed by the Director of Defense Mobilization. However, to avoid any possible misunderstandings the following suggestions are advanced:

*a.* Paragraph 2. We suggest that a new sentence be added at the end of the paragraph; i.e., 'This will require a spread of contracts across industry as widely as possible in order to obtain a sufficiently broad industrial base.'

*b.* Paragraph 3. The last sentence is so worded that it may imply that a multiple band priority rating system should be set up. It is our understanding that Gen. Harrison[4] and NPA desire to avoid such a system at this time. We suggest that the last few words be changed to read '. . . . must have the next urgency status.'

*c.* Paragraph 4 deals with stockpiling.

The Munitions Board has the responsibility for seeing to it that stockpile goals are met. However, it does not have, and should not have, the authority to take such actions as are needed to achieve those goals.

We agree wholeheartedly that the stockpile goals, both for the long term and for the short term, should be realistic and should include our taking some measures of reasonable risk.

However, stockpile goals are agreed upon by an inter-agency committee which should be competent to evaluate their validity. If these goals are valid it seems evident that every effort should be executed to achieve them as rapidly as possible.

Acquisition of stockpile materials is proceeding too slowly in our opinion. Non-essential civilian uses are still heavy in many fields. We feel that non-essential uses should be curtailed where necessary to make materials available to stockpile. We feel also that the acquisition of materials for the stockpile should have an urgency status just under the urgency status of military end items."

*National Security Resources Board:* (Questions listed at the beginning of each paragraph)

1. Would the policies of these programs increase or decrease our gross national product? It is obvious that this policy will increase our gross national product, as it is designed to absorb a defense effort estimated at 50 billion dollars a year within a period of 3 years. While this may not be maintained in full, there is every reason to believe that it can be obtained in reasonable degree. This would involve an increase in the gross national product from approximately 275 billion dollars to 325 billion dollars.

2. Is an increase of our gross national product important in connection with tax policy and inflation control policy? An increase in our gross national product is essential, not only to provide the Government with tax income, but to meet the demands of the consumer population with goods, thus preventing inflation. In point of fact, the program is designed to insure the meeting of an adequate defense

[4] Maj. Gen. William H. Harrison, Administrator, National Production Authority.

program, while at the same time bringing about a restoration of a reasonably normal economy as rapidly as possible. Only in this way, in the final analysis, can inflation be stopped.

3. Under this program, would all business be encouraged or discouraged in expanding to support the mobilization effort? All business which is essential to support the mobilization effort would be encouraged. On the other hand, during the next year and a half when the demand for materials will be at a peak and before additional materials can be brought in to meet the peak demand, business not essential to support the mobilization effort will not be encouraged to expand. The one thing that can defeat our defense effort is to simultaneously undertake a capital expenditure program beyond our capacity to support with materials or which, if supported, would still further curtail consumer goods. Moreover, in the long run, the undertaking of too much capital expansion now will delay the completion of essential projects. First things must be built first, and further capital expenditures can then be placed under way.

4. Would these programs as expressed in this paper encourage or discourage small business in participating in the defense effort? It is not clear how this policy affects small business insofar as its participation in the defense effort is concerned. Its important effect is that it will keep alive many small businesses doing at least a substantial proportion of their normal business. Obviously, within the total defense program, whatever may be its size, special and earnest efforts must be made to utilize small business.

5. Does the paper take into consideration a future date as the date of most critical danger to the United States? Certainly this office is not attempting to estimate the date of most critical danger to the United States. It has assumed that the Defense Department has submitted a program which it considers to provide reasonable security. The meeting of this program requires the production of many long lead items and little that is not being done can expedite the date at which these long lead items will roll off the production line. It does seem clear that we must meet a defense program extending over a number of years. To do this, we must not only establish production lines but also plan to maintain them in use throughout this period. By the time long lead defense items come into production in large numbers, materials will be available and industry will be in a position to expand further and rapidly to meet maximum expansion of defense forces. Based upon military planning, and this office does not intend to question the adequacy of such planning, it would appear that the presently approved program is one which will insure the quickest possible meeting of military needs and, concurrently, the maintenance of a reasonably sound economy capable of complete mobilization for total war when such mobilization is determined.

549-782—79——5

6. Would a policy that does not look towards increasing the gross national product tend to increase or decrease the necessity for controls? Since this policy is one which does insure an increase in the gross national product, there can be no question but that it would reduce the length of time in which controls would be necessary.

7. Are these programs in accordance with the position of the President in his Economic Report? [5] It is the opinion of this office that this policy is in accordance with the position of the President. It was written to express the position of the President in production objectives.

8. Are they in accordance with his proclamation of the Emergency Message? [6] It is the view of this office that the proposal is in accordance with the proclamation of the Emergency Message. Certainly, it involves the development of an economy, which will support for as long as may be necessary an annual expenditure for defense in the neighborhood of 50 billion dollars, and which, in meeting such a program, can still expand rapidly for total war.

9. Are these programs in accordance with the expanding-economy philosophy of the Congress as expressed in the Defense Production Act? [7] It is the view of this office that these programs are in accord with the expanding-economy philosophy of the Congress. For example, the program involves an expansion of about 16 million tons per year of steel capacity. A further expansion of steel may be desirable to meet the needs which will arise after 1953. However, a further expansion in steel now would delay the completion of the projects which have been approved and, thus, would slow down the immediate effort. If and when the present steel program is completed, or as additional materials become available, then consideration may be given to still greater steel expansion. We cannot undertake too much now without delaying the meeting of basic needs.

10. Does this policy reflect support of not only the military programs of ourselves and our allies but programs for a minimum civilian economy in our country and those of our allies; i.e., that minimum civilian economy necessary for them to build their part of the war production? This program is designed to insure that we will maintain better than a minimum and an increasing civilian economy

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[5] For text of the President's Annual Economic Report to Congress, January 12, 1951, see *Public Papers of the Presidents of the United States: Harry S. Truman, 1951*, pp. 27–47.

[6] For text of the President's Radio and Television Report to the American People on the National Emergency, December 15, 1950, see *ibid., 1950*, pp. 741–746. For text of Proclamation 2914: Proclaiming the Existence of a National Emergency, December 16, 1950, see *ibid.*, pp. 746–747. For related documentation, see *Foreign Relations*, 1950, vol. I, pp. 126 ff.

[7] The Defense Production Act of 1950 (64 Stat. 798), approved by the President on September 8, 1950.

over a long period of time. It does reflect support of reasonable foreign programs. We must remember that even at this moment the demand for certain steel products is twice the available supply. In large part, this demand arises from trying to undertake too much too soon. There must be a proper balance between the projects which are approved to provide additional materials and the end-item programs including a reasonable civilian economy. Moreover, the civilian economy to be maintained for an indefinite period must be above the irreducible minimum which would result in total war.

11. Do these programs recognize the steadily increasing danger of a sudden all out atomic attack against the United States? This office finds it difficult to answer this question. The programs in themselves do not provide for the allocation of additional facilities which would be available in the event of sudden all out atomic attack. The provision by the Defense Department of facilities capable of further expansion is some protection. It is expected also that the wide dispersion and diversification which already exists in American industry will be continued and increased in the program to provide additional protection. It is assumed that whatever industrial losses the United States would suffer in the event of sudden atomic attack would not be out of comparison with similar losses which would be suffered by the enemy, and that no such attack is at this time likely to decrease our industrial ability to a relatively greater degree than the industrial ability of our enemy. Fortunately, American industry is widespread. Perhaps later, when immediate programs have been met, some provision must be made for additional facilities as insurance against atomic attack, as well as for the construction of facilities resistant to such attack. Such a program does not appear possible at this time.

12. Do not these programs put a ceiling on production? If true, does that not increase the necessity for a continued ceiling on prices and therefore wages? The policy does not put a ceiling on production. However, there will be a ceiling on production which will come about from scarcity of materials. As additional materials become available, this ceiling will be raised. Nevertheless, the rate at which additional materials are brought in must be controlled to prevent an excessive demand for critical materials and components which could be met now only at the expense of essential programs.

13. Should we not either build up our maximum military strength now, or increase our mobilization base? This office does not propose to comment with respect to the adequacy of our present military strength. However, we believe that the mobilization base which is now established will, by the time long lead items can become available, fully meet the requirements for military items for the first year of war and will, therefore, permit a year of further expansion for total war. It would seem that a further increase of our mobilization base

now would delay the attainment of immediate objectives and, thus, decrease rather than increase our immediate security.

14. If we do not do either, rather devote such items as copper and steel to our already lush civilian economy, how can we defend that to our fighting forces? How can we justify it, because we can double our present defense effort and still have a civilian economy well ahead of the civilian economy standards prior to World War II. This program has been designed to fully meet the expressed needs of our fighting forces. Quite obviously, if these needs are changed, then the program should be changed. Moreover, while we still have a civilian economy far ahead of the standards of World War II, it is apparent that this comes about in part because the full impact of the defense effort has not yet hit our economy. Our present plans contemplate a reduction in consumer durables by the end of the year of from 30% to 40%. While inventories will maintain a high standard of living for some time, the shortage of consumer goods will be real and will make our efforts to control inflation just that much more difficult. If, as this office understands the directives which have been issued, we are in a long-term defense program, then indeed it is important to maintain a reasonably sound economy. On the other hand, this office is not attempting to freeze a program. It is attempting to establish criteria which would insure the meeting of the program now expressed by the Defense Department. Obviously, if this military program is changed either upward or downward, production objectives would have to be revised accordingly.

15. How can we establish even a firm and restrictive definition of mobilization philosophy at this time when we do not yet know the details of what is needed quantitatively so we can really measure resources against requirements? While my experience in World War II [8] tells me very definitely that we know now about as much quantitatively in an overall way of our needs as we will ever know at any given time, this office has made no attempt to express its objectives quantitatively. Nevertheless, the information which it has received does establish that we can return to a reasonably normal economy with, for example, a steel output approaching 118 million tons per year. However, the piling up of requirements which is now taking place requires an allocation of materials, and there can be no intelligent allocation of materials unless those responsible for such allocation have a guiding philosophy. Certainly, we can double our present defense effort, but to do so would result in a very serious disruption of our economy which could not be maintained over a long period. The stockpiling of military end items, the development of resources now beyond those required to sustain a year of total war, would result

[8] Charles E. Wilson served as Executive Vice Chairman of the War Production Board, 1942–1944.

in the short-time diversion of a very large portion of our economy and the establishment of production rates at peaks which could not be maintained unless total war did result. It would seem that a national expenditure of 50 billion dollars for defense is a recognition of the present emergency. It will provide not only the needs as expressed by our Defense Department, but aso an economy which will be acceptable to the American people for the long pull and capable of diversion in great part if total war comes.

Expressed in popular terms, this is a guns and butter economy. It is our understanding that until total war does come our objective must be to supply both guns and butter, so that when total war does come there is enough butter in the hands of the American people so that we need then to think only of guns.

*Department of Agriculture*

With respect to the comment by Secretary Brannan,[9] there is nothing in the proposed policy statement which would prevent the provision of additional nitrogen facilities if it is demonstrated that the existing facilities do not suffice for the present military program and for agricultural needs. If these fertilizer plants would be required only in the event of total war, then it would seem that their construction should not be placed under way until it is clear that it will not conflict with the facilities being provided for the immediate program. Moreover, this program is designed to insure that reasonable quantities of materials will be available for farm and associated agricultural needs.

Secretary Brannan's comments, communicated to the Executive Secretary of ODM by the Executive Assistant to the Secretary of Agriculture, are as follows:

"Secretary Brannan expressed the hope that the category of 'Defense', as used in the proposed policy statement, was broad enough to include essential agricultural supplies, such as nitrogen for fertilizer. He stated, for example, that one ton of ammonium nitrate will produce an additional 250 or 300 bushels of corn—enough to feed 10 or 12 hogs. The Secretary stated that his department is asking for the building of several nitrogen plants and that it would be essential that the material for these plants be regarded as defense material, even though the end product will not go into the hands of soldiers. He added that officials of the Department who are looking to get sufficient materials for farm machinery, fertilizer, insecticides, etc., encounter some feeling that food production is not directly enough a defense problem to warrant full attention."

*Reconstruction Finance Corporation*

With respect to Mr. Harber's[10] suggestion, paragraph 5 simply stated a few examples of many, and there can be no objection to the addition of exploration and production of crude oil to these examples.

[9] Charles F. Brannan.
[10] W. Elmer Harber, Chairman of the Reconstruction Finance Corporation.

The suggestion of RFC Chairman Harber is quoted as follows:

"The second sentence of Item 5 identifies certain programs to be included, such as the provision of additional oil refining capacity, pipelines, ocean-going tankers, tank cars, etc. It occurred to me in this reference that there should be included in this program the exploration and production of crude oil. It seems to me that it is essential that an exploration program be carried on for the purpose of bringing into being additional sources of supplies of crude oil with the objective of increasing existing production."

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S/S–NSC Files, Lot 66 D 148

*Memorandum by the Secretary of State to the Assistant Secretary of State for Economic Affairs (Thorp)*

SECRET [WASHINGTON,] February 21, 1951.

MR. THORP: On Item 2 of the NSC agenda (Mr. Charles E. Wilson's paper) I made the points referred to in your memorandum to me of February 20. Mr. Wilson agreed and offered to amend the paper accordingly.

Mr. Foster [1] suggested that he also was working up for Mr. Wilson a paper dealing with exports to free countries expanding the passing reference in ODM 4. I agreed that it was quite satisfactory to me to have the export policy matter developed in another paper and that I was perfectly willing to have ODM 4 go through.

There was other criticism of ODM 4, but all of that was turned down by the President. Therefore, it is important for us to work with Mr. Foster along the lines of your memorandum.

D[EAN] A[CHESON]

[1] William C. Foster, Administrator, Economic Cooperation Administration.

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100.4–PSB/4–451

*Directive by the President to the Secretary of State, the Secretary of Defense (Marshall), and the Director of Central Intelligence (Smith)*[1]

SECRET WASHINGTON, April 4, 1951.

It is the purpose of this directive to authorize and provide for the more effective planning, coordination and conduct, within the framework of approved national policies, of psychological operations.

There is hereby established a Psychological Strategy Board responsible, within the purposes and terms of this directive, for the formulation and promulgation, as guidance to the departments and agencies

[1] For the President's public directive establishing the Psychological Strategy Board, dated June 20, 1951, see *Public Papers of the Presidents of the United States: Harry S. Truman, 1951*, pp. 341–342.

responsible for psychological operations, of over-all national psychological objectives, policies and programs, and for the coordination and evaluation of the national psychological effort.

The Board will report to the National Security Council on the Board's activities and on its evaluation of the national psychological operations, including implementation of approved objectives, policies, and programs by the departments and agencies concerned.

For the purposes of this directive, psychological operations shall include all activities (other than overt types of economic warfare) envisioned under NSC 59/1 and NSC 10/2,[2] the operational planning and execution of which shall remain, subject to this directive, as therein assigned.

The Board shall be composed of:

*a.* The Undersecretary of State, the Deputy Secretary of Defense, and the Director of Central Intelligence, or, in their absence, their appropriate designees;

*b.* An appropriate representative of the head of each such other department or agency of the Government as may, from time to time, be determined by the Board.

The Board shall designate one of its members as Chairman.

A representative of the Joint Chiefs of Staff shall sit with the Board as its principal military adviser in order that the Board may ensure that its objectives, policies and programs shall be related to approved plans for military operations.

There is established under the Board a Director [3] who shall be designated by the President and who shall receive compensation of $16,000 per year. The Director shall direct the activities under the Board. In carrying out this responsibility, he shall

*a.* Be responsible for having prepared the programs, policies, reports, and recommendations for the Board's consideration,

*b.* Sit with the Board and be responsible to it for organizing its business and for expediting the reaching of decisions.

*c.* Promulgate the decisions of the Board,

*d.* Ascertain the manner in which agreed upon objectives, policies, and programs of the Board are being implemented and coordinated among the departments and agencies concerned,

*e.* Report thereon and on his evaluation of the national psychological operations to the Board together with his recommendations,

*f.* Perform such other duties necessary to carry out his responsibilities as the Board may direct.

The Director, within the limits of funds and personnel made available by the Board for this purpose, shall organize and direct a staff to assist in carrying out his responsibilities. The Director shall deter-

[2] Papers in the NSC 59 and NSC 10 series are slated for publication in a subsequent *Foreign Relations* volume.

[3] Gordon Gray, President of the University of North Carolina and former Secretary of the Army, was appointed Director of the new board.

mine the organization and qualifications of the staff, which may include individuals employed for this purpose, including part-time experts, and/or individuals detailed from the participating departments and agencies for assignment to full-time duty or on an *ad hoc* task force basis. Personnel detailed for assignment to duty under the terms of this directive shall be under the control of the Director, subject only to necessary personnel procedures within their respective departments and agencies.

The participating departments and agencies shall afford to the Director and the staff such assistance and access to information as may be specifically requested by the Director in carrying out his assigned duties.

The heads of the departments and agencies concerned shall examine into the present arrangements within their departments and agencies for the conduct, direction and coordination of psychological operations with a view toward readjusting or strengthening them if necessary to carry out the purposes of this directive. The Secretary of State is authorized to effect such readjustments in the organization established under NSC 59/1 as he deems necessary to accomplish the purposes of this directive.

This directive does not authorize the Board nor the Director to perform any "psychological operations".

In performing its functions, the board shall utilize to the maximum extent the facilities and resources of the participating departments and agencies.

HARRY S. TRUMAN

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700.00/4-2651

*Memorandum for the National Security Council by the Executive Secretary (Lay)*

TOP SECRET WASHINGTON, April 26, 1951.

Subject: Review of the Current World Situation and Ability of the Force Being Maintained to Meet United States Commitments

References: A. NSC 20/4 [1]
B. NSC 68 Series [2]
C. NSC Action No. 393-*b* [3]

At the request of the Secretary of Defense the attached copies of two memoranda with enclosures by the Joint Chiefs of Staff on the

[1] NSC 20/4, "United States Objectives With Respect to the USSR To Counter Soviet Threats to U.S. Security," a report dated November 23, 1948, is printed in *Foreign Relations*, 1948, vol. I, Part 2, p. 662.

[2] NSC 68, "United States Objectives and Programs for National Security," April 14, 1950, and NSC 68/4, December 14, 1950, same title, are printed *ibid.*, 1950, vol. I, pp. 234 and 467, respectively. NSC 68/2, September 30, 1950, same title, is printed in part, *ibid.*, p. 400.

[3] See footnote 4, p. 13.

subject are circulated herewith for the information of the National Security Council.

Pending the scheduling of this item on the agenda of an early Council meeting, it is being referred to the Senior NSC Staff [4] for the preparation of appropriate recommendations for Council action with respect thereto.

JAMES S. LAY, JR.

[Annex 1]

*Memorandum by the Joint Chiefs of Staff to the Secretary of Defense (Marshall)*

TOP SECRET WASHINGTON, 15 January 1951.

Subject: Review of the Current World Situation and Ability of the Forces Being Maintained to Meet United States Commitments.

1. In accordance with the directive contained in a memorandum by the Secretary of Defense dated 16 August 1950,[5] the Joint Chiefs of Staff forward herewith their review of the current world situation and ability of the forces being maintained to meet United States commitments.

2. As a result of their review, the Joint Chiefs of Staff now recommend that the United States:

*a.* Continue to accelerate the build-up of the tangible military power of the United States and its allies. The Joint Chiefs of Staff will make further recommendations for increases and for changes in the composition of United States armed forces in accordance with the situation as it develops;

*b.* Build up even more rapidly and more resolutely the intangible resources favorable to our objectives which live in the minds and hearts of men both within and without the iron curtain;

*c.* Fully implement the course of action set forth in subparagraph 21*f* of NSC 20/4 which states:

> "Keep the U.S. public fully informed and cognizant of the threats to our national security so that it will be prepared to support the measures which we must accordingly adopt."

To this end special emphasis should be given to keeping the American people fully and clearly informed, as appropriate, regarding United States policies with respect to the conflict with the Kremlin, the reasons therefore, and the actions being taken by the United States and its allies to implement such a policy;

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[4] The Senior Staff of the National Security Council consisted of Assistant Secretary-level representatives nominated by the Departments of State, Defense, and Treasury; the National Security Resources Board; the Central Intelligence Agency; the Joint Chiefs of Staff; and the Office of Defense Mobilization. The Executive Secretary of the NSC served as chairman. The Senior Staff, which met approximately twice a week, constituted the principal staff arm of the Council.

[5] Not printed.

*d.* Intensify information and intelligence measures behind the iron curtain so that those who are opposed to Kremlin-dominated communism may have hopes for the future as well as an opportunity to communicate with the outside free world;

*e.* Develop a coordinated and integrated propaganda crusade* against Kremlin-dominated communism everywhere. For this purpose the free world needs an inspiring or animating principle which will pervade every thought, feeling or action of people in the free world as well as of those behind the iron curtain who are opposed to Kremlin-dominated communism;

*f.* Develop and rapidly implement a large-scale program of psychological warfare, including special operations; and

*g.* Develop an integrated and coordinated over-all United States economic, political, psychological, including special operations, and military national program, including a plan for operations by the United States and its allies against Kremlin-dominated communism and its aggression tactics, designed to wrest the initiative from the Soviet Union, to force the USSR to the defensive, and ultimately to reduce to impotence the threat of Kremlin-dominated communism. This plan should include affirmative measures of economic, clandestine, subversive, and psychological character to foment and support unrest and revolution in selected strategic satellite countries and Russian political divisions. The objective would be the establishment of friendly regimes not under Kremlin domination. Such action is essential to engage the Russian attention, keep the Kremlin off balance, and force an increased expenditure of Soviet resources in counteraction. In other words, it would be the current Soviet cold-war technique used against the Soviets, and must be carried out aggressively with full acceptance of the risk of war.

For the Joint Chiefs of Staff:
OMAR N. BRADLEY
*Chairman*
*Joint Chiefs of Staff*

[Subannex]

*Study by the Joint Chiefs of Staff*

TOP SECRET [WASHINGTON, January 15, 1951.]

REVIEW OF THE CURRENT WORLD SITUATION AND ABILITY OF THE FORCES BEING MAINTAINED TO MEET UNITED STATES COMMITMENTS

Introduction

1. This Study consists of four sections, as follows:

*a.* A Review of the Current World Situation from the Strategic Viewpoint.

*b.* A Review of the Ability of the Forces Being Maintained To Meet United States Commitments;

*c.* Conclusions; and

*d.* Further action suggested for the United States.

* "Crusade" is used in the sense of a vigorous and aggressive movement for the advancement of an idea or cause. [Footnote in the source text.]

## SECTION I: A REVIEW OF THE CURRENT WORLD SITUATION FROM THE STRATEGIC VIEWPOINT

*General*

2. The United States faces today one of the greatest dangers in its history. The Korean war could be the first phase of a global war between the United States and the USSR. No areas of agreement which might lessen or end this global struggle are apparent except those based on appeasement of the Soviets.

3. For the past two years the United States has followed a policy of containment, by measures short of the actual employment of United States armed forces with respect to the aggressive expansionist activities directed by the Kremlin. In Korea for the first time the United States was faced with the stark alternative either of abandoning, at least in part, its policy of containment or of employing its armed forces, together with those of likeminded nations, to resist armed aggression.

4. In view of the relative weakness of the military forces in being of the Western Powers, the only course of action, which at this time is open to the free world in deterring the Soviets from actions that involve the risk of global war or for thwarting the Soviet piecemeal aggression is to continue, pending build-up, the tactic of containment but more vigorously implemented and including the use of armed forces as appropriate and available. The present world situation is fraught with danger but it can be satisfactorily resolved if faced with resolution and with action.

5. In order to implement the above tactic, the four following equally important actions are essential:

*a.* A coordinated and integrated crusade† against Kremlin-dominated communism everywhere;

*b.* A rapid, resolute build-up of the tangible military power of the United States and its allies;

*c.* An even more rapid and more resolute build-up of the intangible resources favorable to our objectives which live in the minds and hearts of men both within and without the iron curtain; and

*d.* A large-scale program of psychological warfare, including special operations, integrated with the foregoing national actions and rapidly implemented.

6. Presently available intelligence does not indicate clearly the national strength and degree of preparedness of the USSR for a protracted global war. The majority of the people of the Soviet Union are imbued with a high degree of patriotism and loyalty to their land, and they would fight in its defense. The degree of their military

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†Crusade is used in the sense of a vigorous and aggressive movement for the advancement of an idea or cause. (See American College Dictionary–1948 Edition.) [Footnote in the source text.]

readiness for global war is not fully known; however, indications are that the USSR is a nation in advanced stages of preparation for war. The possibility, however, exists that the Kremlin is not entirely satisfied as yet with its military readiness for a protracted global war. What is known of Soviet military strength in being is sufficient to focus attention on the relatively great strength of the USSR as compared with that of the Western Powers, and of Soviet capability to initiate without warning at least armed action with limited objectives.

7. The ultimate objective of the Soviet rulers is the establishment of a communist world controlled by them or their successors. Their immediate objectives, all consistent with the over-all objective, are as follows: ‡

*a.* To maintain the control of the Kremlin over the peoples of the Soviet Union;
*b.* To strengthen the economic and military position and defend the territory of the Soviet Union;
*c.* To consolidate the control over the European and Asian satellites (including Communist China);
*d.* To make secure the strategic approaches to the Soviet Union and to prevent the establishment, in Europe and Asia, of forces capable of threatening the Soviet position;
*e.* To eliminate United States influence in Europe and Asia;
*f.* To establish Soviet domination over Europe and Asia; and
*g.* To weaken and disintegrate the non-Soviet world generally especially to undermine the power and the influence of the United States.

8. The Soviet rulers can achieve and are achieving the first three of their immediate objectives (subparagraphs 7*a*, *b*, and *c* above) without risk of involvement in armed conflict with the United States.

9. The remaining immediate objectives (subparagraphs 7*d*, *e*, *f*, and *g* above) are improbable of achievement without resort to armed force. Present intelligence estimates indicate that, in order to attain their remaining immediate objectives, as well as their over-all objective, the Soviet rulers have resolved to pursue aggressively their worldwide attack on the power position of the United States and its allies, regardless of the possibility that global war may result, although they may estimate that the Western Allies would seek to avoid such a development.§ In fact, the possibility cannot be disregarded that the

‡ CIA Report, NIE–3, 15 November 1950; not on file in J.C.S. Secretariat. [Footnote in the source text. For the conclusions of NIE–3, "Soviet Capabilities and Intentions," see *Foreign Relations*, 1950, vol. I, p. 414.]

§ CIA Report, NIE–11, 5 December 1950; on file in J.C.S. Secretariat. [Footnote in the source text. NIE–11, "Soviet Intentions in the Current Situation," is printed as a memorandum by the Central Intelligence Agency, *ibid.*, vol. VII, p. 1308.]

USSR may already have decided to precipitate global war in circumstances most advantageous to itself through the development of general war in Asia.§

*The Soviet Union and European Satellite States*

10. In incorporating the peoples and territories of the European satellite states into the Soviet bloc, the Soviet leaders have had to contend with such basic deeply rooted human traditions as religion, social institutions, independent attitude and conservative instincts of the peasants, as well as the traditional fear and mistrust of Russians. Notwithstanding, the USSR has, for the past five years, been steadily tightening and solidifying its control over the European satellite states. At the same time the USSR has been strengthening its own armed forces, as well as those of its satellites, including both East Germany and Soviet occupied Austria.

11. With respect to Germany, the Soviets apparently realized much earlier than did the West that Germany is the key to the future of Europe. Accordingly, the Soviets now dominate East Germany and have created a large quasi-military East German police force. The visible military might and power of the USSR are affecting adversely the Western orientation of West Germany.

12. The defenses of continental Western Europe are at present wholly inadequate. The economic and military assistance which the United States has provided the free nations of Western Europe and the few collective defense measures which have been agreed upon and implemented by the members of the North Atlantic Treaty Organization have not materially strengthened the military posture of Western Europe. Even the flagrant aggression in Korea does not appear to have caused the leaders of Western Europe to take the actions which common prudence, from the viewpoint of the United States, dictates they should take for their own security. However, a Supreme Commander for the integrated defense forces for Western Europe has now been appointed and certain defense measures for the defense of Western Europe have been taken by the North Atlantic Treaty Organization. These actions may indicate the beginning of a change in the attitude of the leaders of Western Europe.

13. France is the key to continental Western European policy.[6] France is still afraid of antagonizing the USSR by strong policies and at the same time is afraid of a resurgent militaristic Germany. While France is fearful of her weak position, her leaders are unwilling to face up to the harsh and dangerous realities of the situation. As a result, France has not only failed to take effective measures for the strengthening of her own military defenses but has also made it difficult for the North Atlantic Treaty Organization to take all of the

[6] Documentation on United States relations with France is presented in volume iv.

actions which are imperative for an effective collective defense of Western Europe. If France continues to vacillate and does not rapidly build up her military strength in being, the United States may be forced to review its strategic policy toward continental Europe.

14. The United Kingdom is unwilling to become involved in the complex problem of a European federation because of its position in the British Commonwealth and because of lack of confidence in the French. The United Kingdom has indicated, however, that it is willing to increase its military strength in being and to follow a bold anti-communist policy in Europe in spite of a strong Labor Party left wing.

15. It appears likely that the West Germans may not create defense forces under the terms of the agreement at Brussels by the North Atlantic Treaty Organization. The German attitude in this matter appears to be largely and compellingly on the obvious disparity in the military strengths in being of the East and the West [*sic*]. If the West Germans were convinced that the Western Powers could establish their defenses on the Oder or east thereof the West Germans probably would create defense forces on almost any terms. A Germany oriented toward or dominated by the USSR increases enormously the chances of victory for the East in the event of general war.

16. A coalition of Western Powers to fight communism in Europe would be greatly strengthened by the inclusion of Spain.[7] Exclusion of Spain's resources and facilities could have seriously adverse consequences in a war between the West and the East. Measures should, therefore, be immediately initiated by the United States to make Spain one of our military allies.

17. It is evident that under present circumstances the USSR has no intention of agreeing to a Treaty of Peace for Austria.[8]

*Far East*

18. In Korea the United Nations forces, composed for the most part of United States forces, are fighting a war against overwhelming oriental manpower. Soviet equipment and other assistance have greatly strengthened the Chinese Red armies. The Chinese Communist troops in Korea have demonstrated that they will fight for a cause. Further, they are better soldiers than the Nationalist troops the United States trained during World War II.

19. The minimal purpose of the Chinese Communists in Korea is to render the United Nations position untenable. It is the apparent intent of the Chinese Communists to seek the complete destruction of the United Nations forces in Korea or their expulsion from the peninsula.

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[7] Documentation on United States relations with Spain appears in volume IV.

[8] Documentation on United States policy with respect to Austria and a Peace Treaty for Austria is presented *ibid.*

20. One inexorable fact in the Korean war is that the present Chinese strategy both in Korea and elsewhere in Asia has been carefully charted by Soviet and Red Chinese leaders in collaboration.

21. The attitude of the Chinese Communist regime and the defensive preparations in China show that Communist Chinese intervention in Korea was undertaken with appreciation of the risk of general war between the United States and Communist China and perhaps in expectation of such a development. It is highly improbable, therefore, that the Chinese Communists would have accepted this risk without assurances of effective Soviet support.

22. United Nations efforts to date have failed, both militarily and diplomatically, to settle the Korean conflict. On the contrary, the conflict now involves large Chinese Communist forces which may possess the capability of ultimately forcing an evacuation by United Nations forces, although the United Nations has not officially branded Chinese Communist intervention as aggression. If the United Nations continues to vacillate, or if it fails to solve the problem, the United States may soon be required to re-examine its own position and to seek a solution acceptable to the United States in the light of its own security and its own global commitments.

23. Soviet propaganda and official declarations and demands indicate communist efforts designed to reduce, and ultimately eliminate, United States control over Japan. The reported presence in eastern Siberia of militarized formations of former Japanese prisoners of war, the stripping of United States garrison forces in Japan for the war in Korea, and the complete lack of indigenous external defensive forces in Japan lend weight to the statement that efforts to eliminate United States control over Japan might be an imminent possibility.

24. In Indochina, the immediate objective of Ho Chi Minh,[9] who is being supplied with arms, equipment, and advisers by the Chinese Communists, is to overrun the whole rich rice area of the Red River delta including the key French cities of Hanoi and Haiphong. The balance of power now existing between the French Union forces and the Viet Minh is most precarious and could easily be upset by even limited Chinese intervention under the cloak of "volunteer" aid. Even without the intervention of Chinese Communist "volunteers", there is grave doubt that the French will be able to hold the Hanoi–Haiphong area even until the arrival of reinforcements in men and material.

25. The possibility exists that the Chinese Communists may intervene in Indochina either with "volunteers", as they have in Korea, or openly. The Chinese Communists have sufficient forces available for either type of operation.

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[9] President of the Democratic Republic of Vietnam.

26. The French have taken a number of actions in Indochina for the purpose of retrieving the deteriorating situation. These include:

*a.* A guarantee of sovereignty within the French Union for the three states forming Indochina;
*b.* Establishment of indigenous armies; and
*c.* Appointment of General Jean de Lattre de Tassigny, an outstanding French military figure, to both political and military leadership of Indochina.

It is possible, however, that these actions come too late to save the present situation.

27. The long-range objective of the communists in Indochina, as in all other parts of the world, is clear and immutable—the conquest of the world by communism.

28. If Indochina falls to the communists, it can be expected that the weak Thai and Burmese Governments would, in turn, fall to Communist domination.

29. The communist movement in the Philippines, Malaya, and Indonesia, although apparently not now seriously threatening the overthrow of the noncommunist governments, is undermining their stability, constitutes a drain on the economy of these states, and forms focal points for dissidents of all shades of political color.

30. The dispute between India and Pakistan over Kashmir has not been solved.[10] It is important to the free world that this dispute be settled.

31. Nehru, the Prime Minister of India, has had idealistic views on world affairs. These may become more realistic in view of the Chinese Communists intervention in Korea and invasion of Tibet. To what extent these developments will alter the orientation of Nehru and of India toward or away from the West is unpredictable.[11]

*Mediterranean and Middle East*

32. The Western Powers are experiencing increased difficulty in their efforts to consolidate defenses in the Middle East.

33. As a result of Soviet propaganda and pressure the Government of Iran has taken steps which indicate that it is seeking to appease, or at least to find a *rapprochement* with, the USSR. These steps include:

*a.* Conclusion of the Soviet-Iranian trade agreement;
*b.* Willingness on the part of the Iranian Government to negotiate the matter of the Soviet debt.
*c.* The expressed Soviet willingness to settle boundary disputes through the negotiations of a joint commission;
*d.* The imposition by the Iranian Government of drastic restrictions on travel and contact of Iranians with foreigners; and

[10] For documentation on the issue of Kashmir, see vol. VI, Part 2, pp. 1699 ff.
[11] For documentation on general relations between the United States and India, see *ibid.*, pp. 2085 ff.

*e.* The government order banning the use of rebroadcast facilities extended to the Voice of America, which has been strongly critical of the USSR.

Unless this trend toward the USSR is reversed Iran may become associated with the Soviet bloc.

34. It can be expected that the USSR will pursue conciliatory tactics in Afghanistan, Iraq, and Saudi Arabia.[12] These Western oriented nations are on the exposed southern flank of the USSR's industrial heartland and their incorporation into the Soviet bloc, or at least their denial to the Western Powers, would be greatly to the advantage of the USSR in the event of a global war. Measures should be taken to guard against this eventuality, especially with respect to Saudi Arabia and Iraq.

35. The premier of Iraq has declared that Britain's treaty of alliance with Iraq is obsolete and that British air bases in that country should be abandoned.

36. The armed truce continues between the Arab states and Israel. Prospects are slight for an early peaceful settlement of their dispute.

37. The dispute between the United Kingdom and Egypt,[13] because of Egyptian demands for the evacuation of British troops from the Suez Canal Zone and the ending of British influence in the Sudan, has caused a serious strain in relations between the two countries. There are indications, however, that this dispute may be reaching a solution.

38. Yugoslavia, while turning more and more to the West through necessity, cannot be considered more than a fair-weather friend. *Rapprochement* with the USSR, while improbable under present circumstances, cannot be discounted as a long-range matter.

39. Turkey in particular holds steadfast to its Western orientation. Turkey and Greece are conducting informal discussions of their common defense problems. Further, these two nations have been invited by the North Atlantic Treaty Organization to coordinate their plans with those of this organization. Yugoslavia and Greece have exchanged Ministers. All these arrangements should improve the prospects for united opposition to potential Soviet aggression in Southeast Europe.

40. The main reasons for the fear and unrest in the Middle East are intraregional tensions and the continuing disparity between the military power of the West and that of the Soviet bloc. As a result, except in the case of Greece and Turkey, the governments of the countries of the Middle East are attempting a policy of "neutralism" while at the same time utilizing the threat of neutrality as a bargaining point to gain concessions from the West. The latest reports suggest,

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[12] Documentation on United States relations with Iraq and Saudi Arabia appears in volume v; with Afghanistan, in volume vi, Part 2.

[13] Documentation on United States interest in this dispute and other aspects of U.S. relations with Egypt appears in volume v.

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however, that the increased Soviet menace is forcing these governments to take a more realistic view of the situation and to become more willing to solve their differences with the Western nations in a friendly manner.

*The Western Hemisphere*

41. The influence of the United States over friendly nations may have waned because of what appears to them to be the military weakness of the United States and because of fear of the USSR. In the final analysis, the people of the United States must recognize that in a war for our very existence—which a war between the United States and the USSR would be—we may find ourselves with but few but effective allies. In fact, the United States may be forced to accept the Western Hemisphere as its final citadel.

42. The President of the United States has declared a national emergency [14] and thus has initiated a mobilization of the physical resources of the United States. The United States is also increasing its military and economic assistance to its allies in order that they may mobilize rapidly. If mobilization of physical resources is to attain maximum effectiveness, however, there should also be a simultaneous mobilization of nonphysical assets—the minds and hearts of the people of the United States and of its allies. The basic menace to the United States and its allies from within is as great as the menace from without. Accordingly, the mobilization of the nonphysical assets, the minds and hearts of men of the free world, is as important as the mobilization of the physical resources. In order to achieve this total power—and in a major war with the USSR total power will be essential—all national assets, physical and nonphysical, must be mobilized.

43. The United States has proposed an emergency meeting of the Foreign Ministers of the twenty-one American republics.[15] It is essential that the United States retain the support of our Latin-American allies and prevent the Soviets from disrupting the unity and peace now existing in the Western Hemisphere.

44. The Latin Americans and the Orientals, with the exception of the Japanese, have not been considered to be promising military material. The war in Korea has proved that both the Koreans and the Chinese make good soldiers when properly trained, equipped, and led, when fighting for an ideal. Consideration must be given by the West to more effective utilization of Latin-American manpower in the present conflict between the free world and the Kremlin. Both Brazil and Mexico furnished troops for World War II. During the Korean war, however, although the United States received the moral

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[14] See footnote 6, p. 54.

[15] For documentation on the Fourth Meeting of Consultation of Ministers of Foreign Affairs of the American Republics, which convened in Washington on March 26, 1951, see vol. II, pp. 925 ff.

support of the Latin-American nations, very little practical help has been provided. Either we or they have failed to dramatize the situation and impress upon the people of Latin America the fact that their security is as surely jeopardized as that of the United States, of Europe, or of Asia.

45. The United States will from the outset be an active combatant in any future global war. Heretofore this nation has had allies to hold the enemy at bay until mobilization of American military potential could be accomplished. The best defense of the United States still remains in Western Europe, the Mediterranean, the Middle East, South and Southeast Asia, and in the islands off the coast of Asia in the Western Pacific. In most of these areas the noncommunist armed forces are not sufficient material reinforcement. The United States, however, does not now possess military forces which could be used for reinforcements, nor will the Western World ever possess sufficient strength to hold all of these farflung outposts until and unless the armed forces of the indigenous nations themselves are materially increased. Accordingly, the United States, in deploying its armed forces to such outpost areas, should weigh the risks to the Western Hemisphere which would be involved in possible overextension. From the military viewpoint appropriate military strength must be maintained in the United States in order to defend the western arsenal of democracy.

46. There are many people in the United States who do not understand fully:

*a.* Why United States armed forces are fighting in Korea;
*b.* Why the other friendly members of the United Nations have not provided larger forces for the war in Korea; and
*c.* Why our allies have thus far done so little to increase their military strengths in view of the Soviet threat.

47. In accordance with approved National Security Council Policy (NSC 20/4) and in order to have the wholehearted support of the American people, the United States should keep the American people fully and clearly informed regarding:

*a.* What the national policy is;
*b.* The reasons for that United States policy; and
*c.* The actions being taken by us and our allies and the full scope of the actions which the United States expects them to take.

## SECTION II: A REVIEW OF THE ABILITY OF THE FORCES BEING MAINTAINED TO MEET UNITED STATES COMMITMENTS

48. The following summarizes the major United States policies for which military support is, or may be, required:

*a.* Maintenance of the territorial integrity and security of the United States, its territories, possessions, leased areas, and trust ter-

ritories administered by it; maintenance of the security of the Republic of the Philippines; [16]

*b*. Maintenance of the territorial integrity and the sovereignty or political independence of the other members of the North Atlantic Treaty;

*c*. Maintenance of the territorial integrity and the sovereignty or political independence of the other American states;

*d*. Participation in and full support of the United Nations Organization;

*e*. Enforcement, in collaboration with allies of the United States, of the terms imposed upon the defeated enemy states of World War II;

*f*. Military assistance to other free nations, the security of which is of critical importance to the United States, if they are to present effective resistance to communist aggression; and

*g*. Maintenance of the United States in the best possible relative position with respect to potential enemy powers in order to deter war or to take effective military action.

49. With reference to subparagraph 48*g* above, the Joint Chiefs of Staff stated in their memorandum to the Secretary of Defense dated 13 April 1950: [17]

"The fact remains, however, that never before in peacetime has the United States been directly subjected to such strong and relentlessly insidious opposition as today. Such a peace as the United States is experiencing is not a peace: it is, in fact, a war in which its survival is at stake. The present conflict can change to armed warfare whenever it suits the purposes and ends of the USSR. In this war of survival, capitulation to the Soviet Union is a course of action the United States cannot accept; rather, it must fight to preserve its integrity. Unless the United States is strong enough to win the war as now being waged, it will almost inevitably be forced into an armed conflict. In either case, increased United States strength is mandatory. In view of the current world situation, it is vital that the military strength of the United States be brought into balance with both the requirements for the present conflict and a possible fullout war."

50. Since the date of the memorandum to the Secretary of Defense referred to in the preceding paragraph (13 April 1950), the Soviet leaders have incited and abetted their North Korean and Chinese Communist satellites in committing acts of overt aggression against the United States in Korea. The possibility exists that the USSR may already have decided to precipitate global war in the course of a general war in Asia.

51. The United States has deployed to the Far East the major portion of its active Army and Marine Corps combat and service units, practically all of its expanded Pacific Fleet, and a large proportion of its available Air Force. In view of the current world situation, it is evident that the military strength of the United States is inadequate

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[16] For documentation on United States relations with the Philippines, see vol. VI, Part 2, pp. 1491 ff.

[17] Not printed.

even for the present undeclared war in Korea. This strength is in no wise in balance with the additional requirements for an undeclared war in Europe or elsewhere in Asia. Further, present United States military strength is wholly inadequate for opposing the USSR in a full-out war.

52. Until recently, the potential strength of the United States as well as the publicized aspects of our atomic energy program have been accepted by the people as reasonably adequate to meet the requirements of the world situation. The strength of our military forces in being has been properly subject to the budgetary limitations of a national peacetime economy. With the declaration by the President of a national emergency, the United States is now in a position further to accelerate the build-up of its military strength. Steps have been taken toward bringing into being the military forces of the United States and its allies which would lead toward a level of strength more nearly in balance with the requirements for the present hostilities, the cold war generally, and for a possible full-out war. Whether or not these actions may be too late to deter war depends on the Kremlin's assessment of its desire and readiness for war.

## SECTION III: CONCLUSIONS

53. The Conclusions of "Review of Current World Situation and Ability of Forces to Meet Commitments," approved by the Joint Chiefs of Staff on 13 April 1950, are still considered sound regardless of the worsened world situation. For purpose of ready reference, these conclusions are quoted below:

"*a.* The United States and the USSR are now, to all intents and purposes, engaged in war—except for armed conflict;

"*b.* The armed forces of the USSR are unnecessarily large for defensive purposes alone. The excessive Soviet military establishment, together with its force deployments, constitute a coercive force immediately available for offensive operations;

"*c.* The United States military strength required to maintain United States integrity and to meet our national commitments must be measured against the current world situation including the increasingly greater Soviet military capability and the Soviet objective of eventual world domination;

"*d.* In order to deter war, United States forces in being, together with those of their probable allies, must be strong enough to discourage the Soviets from aggression in any part of the world vital to the security of the United States. In the event war is precipitated, those forces in being must be sufficient to avert disaster pending the mobilization of the allied war potential. Taken together, this is the primary task of the U.S. armed forces; and

"*e.* The armed forces being maintained by the United States are not strong enough to accomplish effectively that primary task."

54. In their memorandum to the Secretary of Defense, dated 6 December 1950, the Joint Chiefs of Staff indicated the forces they con-

sider necessary and practicable under the present world situation in order to reduce the risks which would otherwise have to be taken.[18]

55. In view of the above considerations, it is recommended that the United States:

*a.* Continue to accelerate the build-up of the tangible military power of the United States and its allies. The Joint Chiefs of Staff will make further recommendations for increases and for changes in the composition of United States armed forces in accordance with the situation as it develops;

*b.* Build up even more rapidly and more resolutely the intangible resources favorable to our objectives which live in the minds and hearts of men both within and without the iron curtain;

*c.* Fully implement the course of action set forth in subparagraph 21 *f* of NSC 20/4 which states:

> "Keep the U.S. public fully informed and cognizant of the threats to our national security so that it will be prepared to support the measures which we must accordingly adopt."

To this end special emphasis should be given to keeping the American people fully and clearly informed, as appropriate, regarding United States policies with respect to the conflict with the Kremlin, the reasons therefor, and the actions being taken by the United States and its allies to implement such a policy;

*d.* Intensify information and intelligence measures behind the iron curtain so that those who are opposed to Kremlin-dominated communism may have hopes for the future as well as an opportunity to communicate with the outside free world;

*e.* Develop a coordinated and integrated propaganda crusade‖ against Kremlin-dominated communism everywhere. For this purpose the free world needs an inspiring or animating principle which will pervade every thought, feeling, or action of people in the free world as well as of those behind the iron curtain who are opposed to Kremlin-dominated communism;

*f.* Develop and rapidly implement a large-scale program of psychological warfare, including special operations, comparable in scope to the Manhattan District project of World War II; and

*g.* Develop an integrated and coordinated over-all United States economic, political, psychological, including special operations, and military national doctrine, including a plan for operations by the United States and its allies against Kremlin-dominated communism and its aggression tactics, designed to wrest the initative from the Soviet Union, to force the USSR to the defensive, and ultimately to reduce to impotence the threat of Kremlin-dominated communism. This plan should include affirmative measures of economic, clandestine, subversive, and psychological character to foment and support unrest and revolution in selected strategic satellite countries and Russian political divisions. The objective would be the establishment of friendly regimes not under Kremlin domination. Such action is essen-

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[18] For text of the memorandum, see *Foreign Relations*, 1950, vol. I, p. 475.

‖"Crusade" is used in the sense of a vigorous and aggressive movement for the advancement of an idea or cause. (See American College Dictionary, 1948 Edition.) [Footnote in the source text.]

tial to engage the Russian attention, keep the Kremlin off balance, and force an increased expenditure of Soviet resources in counteraction. In other words, it would be the current Soviet cold-war technique used against the Soviets, and must be carried out aggressively with full acceptance of the risk of war.¶

[Annex 2]

*Memorandum by the Joint Chiefs of Staff to the Secretary of Defense (Marshall)*

TOP SECRET WASHINGTON, 13 April 1951.

Subject: Review of the Current World Situation and Ability of the Forces Being Maintained to Meet United States Commitments.

1. In accordance with the directive contained in a memorandum by the Secretary of Defense, dated 16 August 1950,[19] the Joint Chiefs of Staff have again reviewed the current world situation and the ability of the forces being maintained to meet United States commitments. They consider that their review of these matters submitted to you by a memorandum dated 15 January 1951, together with its conclusions and recommendations, remains valid as of this date.

2. All of the new developments and trends which are included in the enclosed Supplementary Study generally emphasize the validity of the conclusions and recommendations of the Study submitted on 15 January 1951.

3. In connection with the current situation, the Joint Chiefs of Staff consider that the following conclusions in the Supplementary Study reflect particularly the events of the past three months:

*a.* In general, the solidarity among the nations of the Western World has lessened. Concurrently, there has also been a decrease in the will and determination of the American people and our allies to support current military operations and necessary mobilization programs.

*b.* Current United States mobilization programs, if not reduced below the levels outlined to you in our memorandum, dated 5 January 1951, subject, "Statement of Service Programs for FY 1951 and FY 1952,"[19] should be generally satisfactory, from a military viewpoint, to meet the demands of a "cold war" but will not be adequate to meet these demands together with the requirements for the continuation of the Korean war.

*c.* From the military point of view, regional international arrangements for international security should only be entered into when they will directly enhance the security interests of the United States.

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¶ Such measures are necessary if we are to achieve the initiative and win the present conflict without resort to eventual overt war. Further, they are essential in the eventuality of war. [Footnote in the source text.]

[19] Not printed.

In this connection, it is considered that admission of Turkey and Greece to NATO should be proposed now.

4. The Joint Chiefs of Staff now additionally recommend that action be taken on an urgent basis to:

*a.* Increase the will and determination of the American people as well as our allies to support current military operations.

*b.* Achieve a broad base of popular support for the United States mobilization program through an appropriate governmental information program.

*c.* Increase the will and determination of our allies to achieve through national efforts, at the earliest possible date, a substantially increased degree of mobilization readiness. Such a degree of mobilization readiness should be reached as will permit meeting the requirements of the NATO Medium Term Defense Plan at a date as soon as possible after 1 July 1952.

For the Joint Chiefs of Staff:
OMAR N. BRADLEY
*Chairman*
*Joint Chiefs of Staff*

[Subannex]

*Study Prepared by the Joint Chiefs of Staff*

TOP SECRET [WASHINGTON, April 13, 1951.]

SUPPLEMENTARY STUDY ON THE 15 JANUARY 1951 REVIEW OF THE CURRENT WORLD SITUATION AND ABILITY OF THE FORCES BEING MAINTAINED TO MEET UNITED STATES COMMITMENTS

## Introduction

1. The study of the subject dated 15 January 1951, together with its conclusions and recommendations, remains valid as of this date. Certain new developments and trends have become apparent in the world situation which in turn emphasize the soundness of the previous conclusions and recommendations. This paper only concerns itself with that new matter. Its format is designed so that each section is supplemental to the corresponding section of the study of 15 January 1951.

## SECTION I: A REVIEW OF THE CURRENT WORLD SITUATION FROM THE STRATEGIC VIEWPOINT

### *General*

2. The Soviet rulers have now made apparent the following immediate objectives in support of their general objectives:

*a.* To prevent or delay the rearmament of the Western World;

*b.* Specifically, to prevent the rearmament of Western Germany and Japan; and

*c.* To prevent the United Nations from achieving their objectives in Korea.

3. Current intelligence does not indicate whether or not the USSR has decided to precipitate general war in the near future; neither are there indications that they are abandoning any of their objectives. The Soviet rulers are intensifying their efforts to foment disunity among and within the nations of the non-communist world. These efforts have met with some success.

*The Soviet Union and European Satellite States*

4. There are indications of increased resistance to Soviet control on the part of the people of Czechoslovakia, Albania, and to a lesser degree the people of Hungary and Poland. The Soviet rulers are taking countermeasures against this resistance.[20]

*Western Europe*

5. The USSR has achieved some propaganda benefits from the meeting of the Deputies of the Foreign Ministers of the Four Powers now being held in Paris.[21] The USSR has so far resisted substantive concession to the Western Powers. It has tried to break the tripartite unity of the United States, United Kingdom, and France. Both the United Kingdom and France have shown indications of being hard-pressed. It is important, from the United States military point of view, that this tripartite solidarity be maintained.

6. There is evidence that the British Government is apprehensive of United States global policies and is not whole-heartedly supporting them. The British Government is opposing certain United States policies in the Far East and toward Spain. The British people have evidenced dissatisfaction regarding certain proposals concerning North Atlantic Treaty Organization (NATO) command arrangements.

7. The military power of France, as well as that of the other continental NATO nations, has not increased as rapidly as expected. The Pleven Government fell and was replaced by a Cabinet formed by Prime Minister Henri Queuille. A succession of strikes gives further evidence of serious internal weakness. France opposes the United States policy toward Spain. France has been intransigent with respect to the rearmament of Western Germany and to certain details of United States collaboration with the United Kingdom. There is evidence that France regards the United States and the United Kingdom with some distrust.

8. The progress of the rearmament of Western Germany has been slow and in general unsatisfactory.

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[20] Material on resistance to Soviet control is included in documentation on general United States policies and problems in regard to Eastern Europe in volume IV.

[21] For documentation on Four-Power Exploratory talks at Paris, March–June 1951, see vol. III, pp. 1086 ff.

9. In general, the development of strength in the other NATO nations is unsatisfactory. Efforts to secure agreement for any advance of the target dates for meeting their NATO force requirements for 1954 have thus far been generally unsuccessful. There is little tangible evidence of their will and determination to resist Soviet armed aggression if that should occur. They continue to be reluctant to generate armed forces through their own efforts.

10. Some success in overcoming the weaknesses of the European NATO nations is to be anticipated from the efforts of Supreme Headquarters, Allied Powers Europe (SHAPE).

*The Far East*

11. Unless world tensions in general are relaxed, it is improbable that a politico-military settlement of even the Korean problem in a manner satisfactory to the United States can be achieved. United Nations armed forces must, therefore, continue to operate under the current United States military policy in Korea. United States forces in Korea must pursue their current military course of action there until a political objective for that country appears attainable without jeopardizing United States positions with respect to the USSR, to Formosa, and seating the Chinese communists in the United Nations.

12. Steps have been taken to establish a Joint United States Military Advisory Group (JUSMAG) for Formosa and to increase the flow of Mutual Defense Assistance Program (MDAP) material to the Chinese Nationalists. The outcome of the struggle in Indochina is still in doubt although the position of the non-communist forces has improved. A Chinese Communist decision as to direct intervention in Indochina, or as to an attack on Formosa, will, in all probability, be largely dependent upon the degree of Chinese Communist involvement in the Korean war.

13. The United States has made progress without Soviet participation toward the conclusion of satisfactory peace arrangements for Japan. The Japanese Government has shown evidence of willingness to cooperate with the United States for the security of the Japanese islands.

14. The unfavorable over-all situation in the Philippines has not improved.

15. The United States has suggested a pact of alliance with certain Pacific nations. The terms of this pact will, in all probability, include agreements for mutual assistance.

16. In general, the military situation in the Far East has stabilized, but any improvement during the past three months is nullified by the communist build-up and general intelligence is ominous for the United States.

*Mediterranean and Middle East*

17. Following the assassination of Razmara, the situation in Iran became fluid.[22] Martial law has been declared in some areas. There is danger that the Western World may lose Iran to the USSR. The threat of the nationalization of the oil resources of Iran has created tension between the United Kingdom and the Iranian Government. It is understood that the British are contemplating the use of force if such action would be necessary for them to retain control of their oil concessions in Iran. In such an eventuality the USSR might occupy North Iran under its Treaty of 1921 with that country.

18. The position of the United Kingdom in Iraq has been weakened by Iran acting to nationalize its oil resources. This action by Iran may also affect adversely the United States position in Saudi Arabia and the British position in Egypt.

*The Western Hemisphere*

*Latin America*

19. It is increasingly important to the security of the United States that Latin lethargy toward improvement of internal security, defense posture, and capabilities for the common defense of the Western Hemisphere be overcome. Certain Latin-American nations oppose this United States policy because they consider their essential needs to lie in the field of economic development, particularly since they believe that the United States is the only likely target of direct external aggression. In connection with the problem of Western Hemisphere solidarity, it should be noted that shortly before the March 1951 meeting of the Foreign Ministers in Washington,[23] President Peron[24] preempted an independent newspaper. Further, he made certain claims as to Argentina's independent progress in the field of atomic energy. These claims are probably without substantive foundation. Nevertheless, the Peron statement appears to challenge the leadership of the United States in Latin America.

20. There is some doubt as to the degree of support which may be given by the Latin American Republics to the announced United States concept to "strengthen those armed forces and resources best adapted to the collective defense" and of those features of the United States common defense proposals which involve "prevention and suppression of aggression in other parts of the world through the United Nations."

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[22] Gen. Ali Razmara, Prime Minister of Iran, was assassinated on March 7, 1951. Documentation on United States relations with Iran is presented in volume v.

[23] For documentation on the Fourth Meeting of Consultation of the Foreign Ministers of the American Republics held at Washington, March 26–April 7, see vol. II, pp. 925 ff.

[24] Gen. Juan Domingo Perón, President of Argentina. For documentation on United States relations with Argentina, see *ibid.*, pp. 1079 ff.

21. No positive program for the development of Latin-American forces for use outside the Western Hemisphere should be undertaken until such time as the United States is assured that the Latin-American nations have accepted and are capable of performing appropriate tasks directly associated with the defense of the Western Hemisphere.

*The United States*

22. There is a tacit acceptance by the people of the United States that this country may still be in danger although the enthusiasm which prevailed at the beginning of mobilization has markedly lessened. The general attitude of the American people shows a lack of appreciation of the importance and urgency of our current military operations and current and long-range programs. This trend has become particularly apparent in the course of various hearings before and actions by the 82d Congress on military matters. Further, there appears to be a wide lack of understanding of United States objectives and aims in Korea, in Asia generally, and in Europe.

23. In light of the foregoing, there is real concern as to the possible future support which the military establishment can expect to receive from the American people. Further, if the American people should show tangible evidence of lack of support of our military operations and programs, general recognition of such a feeling would, in all probability, influence the future alignment of possible allies of the United States and affect adversely the United States world position generally.

24. There is urgent necessity to develop among the American people a wholehearted will and determination to support current politico-military operations and current and long-range mobilization programs. This could be accomplished by an appropriate governmental information program. In view of the certainty that the struggle will be long, the chances of survival in the conflict of ideologies will be greatest for the group which best maintains its spiritual, cultural, and material solidarity.

## SECTION II: A REVIEW OF THE ABILITY OF THE FORCES BEING MAINTAINED TO MEET UNITED STATES COMMITMENTS

25. Current programs for expansion of the United States military forces were designed to provide both the forces and a mobilization base to initiate implementation of NSC 68. Originally assigned a target date in 1954, these programs are now being implemented with a target date of not later than 1 July 1952. There are indications that current budgetary action will prevent meeting this target date.

26. The goal of our MDAP Programs is presently set for 1954, but should be accelerated as much as possible in order to be more nearly in consonance with our own M–Day and D–Day, 1 July 1952.

27. Present mobilization programs do not constitute "full mobilization", nor are they so intended. It is understood that these programs were designed to represent a rate of mobilization which, in general, would be as great as the economy of the United States can afford indefinitely under "cold war" conditions. The Joint Chiefs of Staff may find it necessary, however, to make recommendations to accelerate certain of the mobilization programs in order to overtake current expenditures in Korea if our forces continue operations there,** or in the event that it becomes necessary to take similar action with respect to aggression elsewhere in the world.

28. A United States policy along the lines of collective security is now developing. The United States sponsored the "Uniting for Peace Resolution" of the United Nations; [25] has suggested a "Pacific Pact"; [26] and is stressing collective action at the March 1951 meeting in Washington of the Organization of American States.

29. In view of the disparity between our military strength and our global responsibilities, it is vital that the United States continue to develop its war potential and that the objectives of the current mobilization programs be met. It would be dangerous to falter in our determination to obtain a satisfactory state of military and industrial preparedness.

SECTION III: CONCLUSIONS

30. The conclusions of the basic study dated 15 January 1951 are reaffirmed.

31. The following additional conclusions reflect particularly the events of the past three months:

*a.* In general the solidarity among the nations of the Western World has lessened. Concurrently, there has also been a decrease in the will and determination of the American people and our allies to support current military operations and necessary mobilization programs;

*b.* Current United States mobilization programs, if not decreased, should be generally satisfactory to meet the demands of a "cold war" but will not be adequate to meet these demands together with the requirements for the continuation of the Korean war; and

*c.* From the military point of view, regional international arrangements for international security should only be entered into when they will directly enhance the security interests of the United States. In this connection it is considered that admission of Turkey and Greece to NATO should be proposed now.

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**NSC 68/4. [Footnote in the source text.]

[25] For documentation on the "Uniting for Peace" Resolution, adopted by the United Nations General Assembly on November 3, 1950, see *Foreign Relations*, 1950, vol. II, pp. 303 ff.

[26] For documentation on discussions of a Pacific Pact, see vol. VI, Part 1, pp. 132 ff.

SECTION IV: FURTHER ACTION SUGGESTED FOR THE UNITED STATES

32. The recommendations in the study by the Joint Chiefs of Staff dated 15 January 1951 are reaffirmed. In addition the Joint Chiefs of Staff recommended that action be taken on an urgent basis to:

*a.* Increase the will and determination of the American people as well as our allies to support current military operations;
*b.* Achieve a broad base of popular support for the United States mobilization program through an appropriate governmental information program; and
*c.* Increase the will and determination of our allies to achieve through national efforts, at the earliest possible date, a substantially increased degree of mobilization readiness. Such a degree of mobilization readiness should be reached as will permit meeting the requirements of the NATO Medium Term Defense Plan at a date as soon as possible after 1 July 1952.

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S/S-NSC Files, Lot 63 D 351, NSC 90 Series

*Memorandum for the National Security Council by the Executive Secretary (Lay)*

SECRET WASHINGTON, May 23, 1951.

Subject: Collaboration With Friendly Governments on Exchange of Information Concerning Operations Against Guerrillas

Reference: NSC 90 [1]

In accordance with the request of the Secretary of State contained in his report to the National Security Council on "Collaboration With Friendly Governments on Operations Against Guerrillas" (NSC 90), the Senior NSC Staff has studied this subject with the results as indicated in the enclosed draft statement of policy and NSC staff study, circulated herewith for the information of the National Security Council.

Upon the recommendation of the Senior NSC Staff and with the concurrence of the Department of State, and in view of the fact that the enclosed study proposes that appropriate action be taken by the Department of Defense in collaboration with the Department of State and the Central Intelligence Agency, the enclosure has been referred to the Department of Defense for such action as may be considered appropriate.

JAMES S. LAY, JR.

[1] NSC 90, October 26, 1950, is printed in *Foreign Relations*, 1950, vol. I, p. 401.

[Annex 1]

*Draft Statement of Policy Prepared by the Senior Staff of the National Security Council*

SECRET [WASHINGTON,] May 8, 1951.

STATEMENT OF POLICY PROPOSED BY THE NATIONAL SECURITY COUNCIL ON COLLABORATION WITH FRIENDLY GOVERNMENTS ON EXCHANGE OF INFORMATION CONCERNING OPERATIONS AGAINST GUERRILLAS

1. Communist-controlled guerrilla warfare represents one of the most potent instrumentalities in the arsenal of communist aggression on a world-wide basis. It is therefore in the important security interests of the United States to take all practicable steps in collaboration with its allies and friends to prepare to counter such guerrilla warfare on a coordinated world-wide basis. As a prerequisite to such action, the United States should:

*a.* Develop and perfect techniques, strategy and tactics to combat and counter communist controlled guerrilla activities.
*b.* Utilize this information in coordinated and timely manner with our friends and allies.
*c.* Develop on a continuing basis adequate intelligence regarding the concepts, strategy and tactics of communist-controlled guerrilla activity.

2. Accordingly, the United States, acting through the Department of Defense in collaboration when appropriate with the Department of State and CIA, should continue:

*a.* To assemble all information available in the United States on the general subject of counter-guerrilla warfare.
*b.* To obtain and assemble all possible information on counter-guerrilla warfare from friendly governments and from informed Japanese and German individuals and from Japanese and German war records.
*c.* To obtain on a continuing basis, information on communist guerrilla activity on a world-wide basis.
*d.* To pool and collate the best information available on the strategy, tactics and techniques of counter-guerrilla operations.
*e.* To develop a program for making available to our friends and allies a common fund of knowledge relating to strategy, tactics and techniques for counter-guerrilla activities.
*f.* To develop a parallel program for the exchange of current information on Soviet and communistic inspired guerrilla activities with our allies and friends.

3. . . .

[Annex 2]

*Draft National Security Council Staff Study*

SECRET [WASHINGTON, May 8, 1951.]

## COLLABORATION WITH FRIENDLY GOVERNMENTS ON EXCHANGE OF INFORMATION CONCERNING OPERATIONS AGAINST GUERRILLAS

### PROBLEM

1. To determine whether the United States should collaborate with friendly governments on exchange of information concerning operations against guerrillas.

### ANALYSIS

2. There are many governments now friendly to the United States which have had considerable experience in conducting guerrilla warfare and counter-guerrilla activities such as Greece, Germany, Japan, the Chinese Nationalist Government and the British Commonwealth (particularly in Burma and Malaya). Yugoslavia has also had considerable experience with guerrillas.

3. Much of this experience has probably not been reduced to writing, or in any event it is not now available to the United States.

4. In the struggle against communist aggression, it is of the greatest importance that the United States be in possession of the most complete knowledge available on the subject of guerrilla warfare in order that this country and its allies and friends may be in a better position to counter and combat all types of guerrilla activity on a world-wide basis.

5. Accordingly it is considered that the United States should obtain all information from all sources dealing with guerrilla and counter-guerrilla operations.

6. There could be two possible approaches to the information gathering process: one through a multi-lateral approach, such as the North Atlantic Treaty Organization, or a bilateral approach.

7. At the present stage of North Atlantic Treaty Organization development, it would be inappropriate and probably of no avail for the NATO countries as a group to undertake multi-lateral exchanges of information in the development of strategy and tactics to combat and counter guerrilla warfare. The various members of NATO would probably not feel disposed at the present time to exchange information on this general subject, in view of the sensitivity of certain aspects of the information involved.

8. It is considered that members of NATO would be willing to furnish the United States on a bilateral basis, the information desired. It is also believed that certain friendly governments, not members of NATO, would be disposed to supply the United States with infor-

mation in their possession on the general subject of guerrilla warfare and counter-guerrilla activities.

9. The Department of Defense is the agency of the United States Government which is the most concerned with operations against guerrillas. Military air and naval attachés stationed in all friendly countries are in a position to gather the requisite information and in particular to gain valuable intelligence on current anti-guerrilla campaigns in French Indo-China and the Philippines. The departments of the Army, Navy and Air Force can draw upon the resources of their intelligence, research and historical sections and enlist the cooperation of the Central Intelligence Agency in the preparation of those studies referred to above.

CONCLUSIONS

10. It is in the security interest of the United States that all available knowledge on counter-guerrilla operations be obtained in order that our own doctrine on such operations may be as nearly perfect as possible.

11. The United States should engage in bilateral discussions with all friendly governments who have had experience in guerrilla or counter-guerrilla operations.

12. The Department of Defense, in collaboration when appropriate with the Department of State and CIA, should continue to conduct the discussions, compile the resulting information, develop a counter-guerrilla doctrine and make recommendations as to its distribution.

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661.00/5-2651 : Circular airgram

*The Secretary of State to Certain Diplomatic Offices* [1]

TOP SECRET WASHINGTON, May 26, 1951—11:40 a. m.

Following is text of "Summary" and "Conclusions" of the *Weekly Report of Indications of Soviet Communist Intentions*, dated May 23, 1951. This report is prepared by the Watch Committee of the Intelligence Advisory Committee consisting of representatives of the Departments of State, Army, Navy, Air Force, Central Intelligence Agency, Federal Bureau of Investigation, Atomic Energy Commission and the Joint Chiefs of Staff, and represents their combined and coordinated estimate of current Soviet Communist intentions. This summary will be forwarded to you weekly in the future.

For your information, paragraph 1 under "Conclusions" should not be considered as a sudden departure from overall United States estimates. The Soviet Union has been considered by the Committee

[1] Sent to London, Paris, Rome, Frankfurt, and Vienna.

as being in an advanced stage of readiness for war for at least ten months.

"1. *Korea:* The strength and tactical dispositions and movements of the enemy, as well as indications of continued troop and logistical buildup in the forward areas, suggest the possibility that the main attack in the current Chinese Communist offensive is still to come. PW statements indicate the possibility of the arrival in Korea of elements of an additional CCF army group. Reports also indicate the possible presence in Korea of a "CCF mechanized army". Photo intelligence indicates the continued repair and expansion of airfields in North Korea, and there are indications that the estimated CCAF/NEAF strength of 860 aircraft is increasing. Enemy air activities in North Korea and Manchuria continue to indicate the probability of larger scale commitment of enemy air strength to Korean operations. There are no political or diplomatic indications which would support rumors that either the Soviets or Chinese Communists are seeking at this stage to end hostilities in Korea on other than Communist terms.

"2. *Indo-China:* Viet Minh attacks in Tonkin, Annam, and Cochin-China during the latter part of May are indicated. Reports of an arms shipment from Yunnan to the Viet Minh and also indications of work on the completion of the railway from Nanning to Langson on the Tonkin border tend to support previous views that there are no definite indications of the substantial reduction of Chinese Communist aid to the Viet Minh.

"3. *Burma:* Reports of the present whereabouts of the KMT troops which have been in Burma near the China border are conflicting, but a recent report from a reliable source states that there has been an actual clash between the KMT and Communist forces.

"4. *India:* The broadcast by the Moscow radio of the Indian Communist platform demanding the replacement of the Nehru Government with a "People's Democracy" may indicate a hardening of the Soviet attitude towards India.

"5. *Germany–Austria:* The Soviet field training program in Germany is progressing generally along the same lines as last year and has recently included a river crossing exercise, which involved combined arms and utilized jet cover and camouflage. Construction activity in the training area near the British zonal border includes a chain of underground bunkers whose purpose is not yet determined. The count of MIG–15 jet fighters in Germany increased by 31 during the past month to a total of 490. The conversion of light bomber units in Germany to twin jets appears to be continuing at a rapid pace and may be followed by a similar reequipment program in Austria. The East German Alert Police are reportedly being trained in operation of 85 MM AA guns and artillery units of this force may move to Soviet training areas during June.

"6. *Poland–Czechoslovakia:* There has been an increase in the number of advanced training or tactical transition aircraft at Polish Air Force training schools. An unconfirmed report indicates that a large air defense center is being established in a northern suburb of Prague.

"7. *Balkans:* . . . reports on Soviet troop movements in Rumania and Bulgaria . . . indicate that Soviet troops may have arrived

in northeastern Bulgaria, allegedly for "maneuvers". The reported arrival of a new Soviet division at Constanta, Rumania, is unconfirmed but may be connected with this movement. There is no evidence to substantiate reports of large-scale combined Soviet-Satellite maneuvers near the Yugoslav border, although the possibility of some inter-Satellite training cannot be discounted. The release of the 1928 class from the Bulgarian Army could be regarded as an indication that the Soviets do not intend to initiate hostilities in the immediate future. The Hungarian Army is now estimated to include nine divisions, as compared with a previous estimate of seven. The accelerated aircraft reequipping program in Eastern Europe is being extended to the Balkans and a significant airfield construction program is reportedly underway in Rumania and Bulgaria. In Bulgaria a pattern of construction of 9,000-foot runway appears to be emerging, in contrast to the construction of shorter runways in other Satellites. Cominform propaganda charges against Yugoslavia do not reflect intensified psychological preparation for hostilities against that country.

"8. *Iran:* Soviet statements do not suggest direct Soviet action in that country under present conditions. . . .

"9. *General:* Reports . . . state that the Soviet 1927 class privates are being released in the U.S.S.R. although evidence is at present insufficient to indicate that the whole of this last war-service class is being demobilized. There has been no significant new Soviet comment with respect to the CFM discussions. An intensification of Communist Party efforts in Western Europe to weaken defense preparations is indicated by offers of the French and Italian Communist Parties to support any government which will denounce collaboration with the United States.

CONCLUSIONS

"1. The Soviet Armed Forces in being are in an advanced state of readiness for war and could initiate offensive operations with no additional warning. Military and political indications are that the Communists intend to insist upon a solution of controversial problems strictly along lines which further Communist world objectives. There are no indications that the Soviets and their Communist allies, in pursuing their major objectives, intend necessarily to avoid future actions which might precipitate global hostilities.

"2. Military and political indications are that the defeat of U.N. forces continues to be the Communist objective in Korea and that possibly the main attack of the currently stalled Communist offensive is still to come. There continue to be strong indications that a more extensive commitment of enemy air power is planned.

"3. Viet Minh offensive operations during the latter part of May in Tonkin, Annam and Cochin-China are reportedly indicated. Current intelligence supports the previous view that Chinese Communist assistance to the Viet Minh has not been reduced to any great extent.

"4. There are no firm indications of the probabilty of imminent hostilities in Europe or the Near East. The rate of Air Force conversion to jet aircraft in Eastern Europe, the extensive airfield construction program, continuing shipments of Soviet matériel and the possibility of a Soviet reinforcement of the Balkans reflect an acceleration of Soviet and Satellite military preparations.

"5. Propaganda of the Soviets and Satellites continues the psychological preparation of their people for the possibility of war."

Comments on this and future summaries will be appreciated.

Embassy London please transmit to Spofford.[2]

ACHESON

[2] Charles M. Spofford, Deputy United States Representative to the North Atlantic Council.

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S/S–NSC Files, Lot 63 D 351, NSC 68 Series

*Memorandum for the National Security Council by the Executive Secretary (Lay)*

TOP SECRET

WASHINGTON, June 1, 1951.

Subject: United States Objectives and Programs for National Security

References: A. NSC 68 Series [1]
B. NSC Action No. 393*b* [2]
C. Memo for NSC from Executive Secretary, subject, "Review of the Current World Situation and Ability of Force Being Maintained to Meet United States Commitments", dated April 26, 1951 [3]

The Senior NSC Staff has been studying the present status of the NSC 68 programs and in this connection has had the benefit of reports by representatives of the Department of Defense, the Office of Defense Mobilization and the Bureau of the Budget. The Senior NSC Staff has also studied the two memoranda by the Joint Chiefs of Staff (circulated by Reference C) which deal with the same general problem. On the basis of its study and consideration of this subject, the Senior NSC Staff recommends that the National Security Council take the following actions: [4]

*a.* Direct the Senior NSC Staff to prepare, with the assistance of appropriate executive departments and agencies, the following reports for Council consideration:

(1) A review of the status of the programs described in NSC 68/4, including an analysis of any difficulties which may be impeding or preventing their successful execution.

(2) Recommendations regarding any revisions or modifications of the policies and programs contained in NSC 68/4.

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[1] For documentation on the NSC 68 series, see *Foreign Relations*, 1950, vol. I, pp. 126 ff.

[2] See footnote 4, p. 13.

[3] *Ante*, p. 60.

[4] At its 93d Meeting, June 6, the President presiding, the National Security Council approved the recommendations of the Senior Staff (NSC Action No. 487; S/S–NSC Files, Lot 66 D 95).

*b.* In order to clarify the relationship of *a* above and the President's directive to the Secretaries of State and Defense, contained in NSC Action No. 393*b*, recommend to the President that the second sentence of this directive be amended to read as follows:

> "However, since this paper points out that the programs contained in it are not final, I hereby direct the Secretary of State and the Secretary of Defense to maintain a continuing joint review of the politico-military strategy of this Government."

*c.* Recommend to the President that he establish under White House auspices a staff group, including representatives of appropriate executive departments and agencies, to coordinate efforts to obtain public understanding of approved NSC policy recommendations, consistent with considerations of security.

JAMES S. LAY, JR.

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*Editorial Note*

During the period May 3–June 27, 1951, the Senate Committees on Armed Services and Foreign Relations conducted joint hearings concerning the military situation in the Far East and the dismissal by President Truman on April 11 of General of the Army Douglas MacArthur, Commander in Chief, United States Forces, Far East Command, and Commander in Chief of United Nations Forces in Korea. These proceedings dealt in part with the general national security of the United States. For the testimony presented by Secretary of State Acheson, June 1–9, see *Military Situation in the Far East: Hearings Before the Committee on Armed Services and the Committee on Foreign Relations, United States Senate* (82d Cong., 1st sess.), pages 1667–2291. A statement made by Acheson on June 1 also appears in the Department of State *Bulletin*, June 11, 1951, pages 923–926.

Documentation on the dismissal of General MacArthur and the subsequent hearings is presented in volume VII.

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PPS Files, Lot 64 D 563

*Memorandum by the Assistant Secretary of State for Public Affairs (Barrett) to the Under Secretary of State (Webb)*

TOP SECRET [WASHINGTON,] June 6, 1951.

A member of my staff has prepared this memorandum on American public opinion, which I think will be of interest to you.

This memorandum will particularly concern those who will be the members of the "staff group" mentioned in recommendation "*c*" of Mr. Lay's Memorandum to the NSC of June 1.[1]

EDWARD W. BARRETT

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[1] *Ante*, p. 88.

[Annex]

*Memorandum by Mr. Walter P. Schwinn, Public Liaison Officer*

TOP SECRET [WASHINGTON,] June 5, 1951.

Subject: Domestic Public Opinon and the Achievement of National Objectives

The state of public opinion in the United States with regard to broad measures necessary to the achievement of the national objectives set forth in NSC 68 and the national programs outlined in NSC 68/3 appears by all reliable objective criteria to be favorably disposed.

The people of the United States have for a long time been and continue to be cognizant of the threats to the national security posed by the aggressive intentions and the military capabilities of the USSR. In January 1951, 73% of a representative sample of public opinion saw no chance that the USSR would change its policy and thereby make possible a peaceful adjustment of its relations with the free world during the next few years.

At the same time, awareness of the menace posed by Soviet Communism has not resulted in a demand for such drastic action as preventive war. Although in April 1951, the majority of a representative sample of public opinion favored bombing Manchuria and assisting Chiang Kai-shek to attack the mainland of China, only about a third favored a general war with China, while ⅔ specifically opposed it. Moreover, in October nearly 80% opposed a declaration of war on USSR.

The conclusion can not be surely drawn from the popular attitude with regard to a preventive war that the people in the US are in a mood indefinitely to endure the tensions and the difficulties imposed by the cold war. At the same time, the inference is permissible that existing public opinion provides a base on which can be built a program to deter but not to wage war.

This is borne out by the support given to measures calculated to enable the US and its allies to build the strength necessary to deter the Soviet Union from war but not to wage aggressive war against it. At the end of April 1951, 83% of a representative sample of public opinion favored spending by the United States of as much money for rearmament as is being spent during the current fiscal year or more. Continuing or increasing the amount of military assistance given to the allies of the US was favored by 67%. As much economic assistance to the allies of the US as was given in the current fiscal year, or more, is favored by 52%. 57% favor sending US troops to build up the defense of Western Europe. 65% favor increased expenditure for the foreign information program.

Moreover, similar majorities favor action to the domestic field to build up effective strength of the center. 85% favor an immediate civil

defense program. 57% favor price and wage controls. The presumption exists that similar majorities would favor other similar domestic measures necessary to maintain strength of the center.

The attitudes described above indicate simply a public willingness in support of particular courses of action. It does not signify public insistence that such courses be carried out. However, the degree of willingness is of such a nature that vigorous public support could be taken for granted if strong leadership were to be exerted and effective organization to be called into being. The transforming of public willingness into active support of a given course of action is a problem not only of information but of organization and leadership. Information can contribute to both. It can not substitute for them.

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S/S–NSC Files, Lot 63 D 351, NSC 68 Series

*Memorandum by the Executive Secretary of the National Security Council (Lay) to the Secretary of State and the Secretary of Defense (Marshall)*

TOP SECRET WASHINGTON, June 7, 1951.

Subject: Joint Review of Politico-Military Strategy

References: A. NSC Actions Nos. 487, 424 and 393 [1]
B. Memo for Secretaries of State and Defense from Executive Secretary, same subject, dated December 14, 1950 [2]
C. NSC 68 Series [3]

The National Security Council, at its 93rd meeting [4] with the President presiding (NSC Action No. 487–*b*), noted the President's amendment of the second sentence of his directive transmitted by the reference memorandum of December 14, 1950.

Accordingly, the revised directive by the President is transmitted as follows for appropriate action, and supersedes the President's previous directive contained in the reference memorandum:

NSC 68/4 is approved as a working guide for the urgent purpose of making an immediate start. However, since this paper points out that the programs contained in it are not final, I hereby direct the Secretary of State and the Secretary of Defense to maintain a continuing joint review of the politico-military strategy of this Government.

This review is not to delay action upon the basis of NSC 68/4, the implementation of which by all appropriate departments and agencies of the United States Government is hereby directed.

JAMES S. LAY, JR.

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[1] The actions under reference are described, respectively, in footnote 4, p. 88, footnote 2, p. 7, and footnote 4, p. 13.

[2] Not printed.

[3] For documentation on the NSC 68 series, see *Foreign Relations*, 1950, vol. I, pp. 126 ff.

[4] June 6, 1951.

*Editorial Note*

On June 14, 1951, Secretary of State Acheson and Lester B. Pearson, Canadian Secretary of State for External Affairs, met in Washington for discussion of the possibility of war being provoked by Soviet aggression, the use of atomic weapons, and other aspects of the grave world situation. The following officials were also present at the meeting: H. Freeman Matthews, Deputy Under Secretary of State for Political Affairs; Paul H. Nitze, Director of the Policy Planning Staff; R. Gordon Arneson, Special Assistant to the Secretary of State; Hume Wrong, Canadian Ambassador in the United States; George Ignatieff, Canadian Counselor of Embassy; and Douglas LePan, Special Assistant to Mr. Pearson. Secretary Acheson had participated in similar discussions with Ambassador Wrong on May 25. Matthews, Nitze, Arneson, and Ignatieff had also been present. Additional conversations occurred on July 13 (Matthews, Nitze, Arneson, and Carlton Savage of the Policy Planning Staff, meeting with Ambassador Wrong and Ignatieff) and July 27 (Nitze, Arneson, and Joseph Chase of Arneson's office, meeting with Ambassador Wrong and Ignatieff).

For memoranda of the conversations under reference and related material, see pages 802 ff.

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PPS Files, Lot 64 D 563

*Record of the Meeting of the Steering Committee on NSC 68, Washington, June 21, 1951, 2:30 p.m.*[1]

TOP SECRET

*United States Objectives and Programs for National Security* (NSC 68 series; NSC Action No. 487 *a*;[2] Record of Meeting of Senior NSC Staff, June 14, item 3)

Discussed the procedure for preparation of the reports called for by NSC Action No. 487 *a* and agreed:

*a.* That the Senior State Member, with the assistance of representatives from Defense and CIA, should prepare an analysis of changes in the world situation since the preparation of NSC 68 affecting United States objectives and programs for national security.

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[1] Transmitted by Max W. Bishop, State Department NSC Staff Assistant, to John H. Ferguson, Deputy Director of the Policy Planning Staff, and H. Freeman Matthews, Deputy Under Secretary of State for Political Affairs, on June 27.

[2] Regarding NSC Action No. 487, see footnote 4, p. 88.

*b.* That as a first step in the review of the status of the programs described in NSC 68/4 rough outline notes should be prepared and oral presentations made for the information of the Steering Committee on the programs described in NSC 68/4, and that each such note and presentation should take into account the following questions:

(1) What is the present program?

(2) To what extent has this program been completed?

(3) What are the difficulties being encountered or anticipated in completing this program?

(4) What is the estimated adequacy and timing of the present program?

*c.* Upon the following assignment of responsibilities for preparation of the notes and presentations referred to above:

*The Military and Mobilization Programs*—Defense and ODM (through Mr. Nash [3] and Mr. Mitchell [4])

*Foreign Military and Economic Assistance*—ISAC (through Mr. Gordon)[5]

*The Civil Defense Program*—Federal Civil Defense Administration (through Mr. Lay)

*The Stockpiling Program*—Defense and ODM (through Mr. Nash and Mr. Mitchell)

*The Information Program*—State (through Mr. Nitze)

*Intelligence and Related Activities*—CIA (through Mr. Lay)

*Internal Security*—ICIS and IIC (through Mr. Coyne)[6]

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[3] Frank C. Nash, Special Assistant to the Deputy Secretary of Defense; Defense Member on the Senior Staff of the National Security Council.

[4] J. Murray Mitchell, Senior Staff Assistant to the Director of the Office of Defense Mobilization; ODM Member on the Senior Staff of the National Security Council.

[5] Lincoln Gordon, Assistant to the Deputy Administrator, Economic Cooperation Administration.

[6] J. Patrick Coyne, National Security Council Representative on Internal Security.

PPS Files, Lot 64 D 563

*Draft Paper Prepared by Messrs. John Paton Davies, Jr., and Robert Tufts of the Policy Planning Staff* [1]

TOP SECRET [WASHINGTON, June 26, 1951.]

NSC 79 [2]

The aims of national action in war and peace are to further what is described in NSC 68 as the fundamental purpose of the United States:

"The fundamental purpose of the United States is laid down in the Preamble to the Constitution: '. . . to form a more perfect Union, establish Justice, insure domestic Tranquillity, provide for the common defense, promote the general Welfare, and secure the Blessings of Liberty to ourselves and our Posterity.' In essence, the fundamental purpose is to assure the integrity and vitality of our free society, which is founded upon the dignity and worth of the individual.

"Three realities emerge as a consequence of this purpose: Our determination to maintain the essential elements of individual freedom, as set forth in the Constitution and Bill of Rights; our determination to create conditions under which our free and democratic system can survive and prosper; and our determination to fight if necessary to defend our way of life, for which as in the Declaration of Independence, 'with a firm reliance on the protection of Divine Providence, we mutually pledge to each other our lives, our Fortunes and our sacred Honor.'"

These are the enduring objectives which this nation pursues through peace and war. Taken together, they are mutually supporting; pursued separately, it is evident that they are in some measure inherently in conflict with one another.

Our national objectives, therefore, cannot be pursued in absolute terms, separately, without relation to one another. The strength and health of our Society demands a nice balance of emphases in our national actions. The measures necessary to provide for the common defense can lead in the direction of the garrison state unless we remain alert and devoted to the values we seek to defend. Measures to promote

[1] This paper is labeled "Draft No. 3 (For S/P use only)." It was prepared by Davies and revised by Tufts on June 26. Philip H. Watts, Executive Secretary of the Policy Planning Staff, transmitted it to Lucius D. Battle, Special Assistant to the Secretary of State, on July 13, with a view toward arranging a meeting between Secretary Acheson, Ambassador Jessup, and Nitze. No evidence has been found that a meeting occurred or that a subsequent draft was prepared. A chit attached to the source text bears the notation by Acheson, "Where do we go on this?" Below, there appears a note from Ferguson to Nitze: "Battle gave me this a couple weeks ago with the Secretary's question above. I am afraid we haven't got far on 79."

[2] For text of NSC 79, "United States and Allied War Objectives in the Event of Global War," August 25, 1950, see *Foreign Relations*, 1950, vol. I, p. 390. A report to the National Security Council by the Secretary of Defense, enclosing the views of the Joint Chiefs of Staff, NSC 79 was circulated for the information of the Council and referred to the NSC Staff for preparation of a report for Council consideration.

the general welfare can lead to a decadent preoccupation with material well-being unless we make use of our abundance and leisure to deepen and enrich the cultural and spiritual life of the community. Overemphasis on any one objective would jeopardize our fundamental purpose and would therefore be self-defeating.

While there is a balance among our national objectives, the balance of emphases in our national actions cannot be static; it must be adjusted to the needs and circumstances of the times. It is necessary to the successful practice of democracy—indeed it has been the genius of the democratic system—that the emphasis we give to the pursuit of each of our national objectives should vary in response to the world environment. A rigid national program would fly in the face of reality; it would defy the organic nature of international relationships and the constantly changing ratios of power and pressure in the world.

The fundamental purpose of the Republic can therefore be fulfilled only when our objectives are pursued with varying emphasis and judiciously adjusted to a world environment constantly in flux.

War aims are the goals we set out to achieve when we find ourselves in an environment of war. They are what we try to accomplish in a specific situation—one in which the use of military means, in addition to other means, has been forced upon us in the course of our pursuit of our national objectives. They do not determine our national objectives. Rather they must be determined in light of the changes in the world environment which are necessary if our free and democratic system is to survive and prosper.

Thus in a situation of war the preservation of the Republic—which is the precondition to the pursuit of all other national objectives—requires us to defeat the enemy's effort to impose his will upon us by military means. Traditionally, we define this minimum condition of success as victory over the enemy.

Victory, however, is a band concept. At one end of the band is the survival of the Republic by the frustration of the enemy's effort to extinguish our independence. At the other end of the band is the establishment of conditions in the world in which our way of life will not only survive but can also prosper.

Military victory is therefore an essential but not the all-encompassing objective of this nation in a situation of war. To assume that it were would be to misunderstand the nature of war. If war comes, it will come as an unavoidable necessity, forced upon us as a result of failure to modify the world environment by other means so that peace can be preserved and the Republic survive and prosper. The goal of policy is to establish conditions in which the nation can live in peaceful relationships with other societies. If war comes, we shall have failed to achieve these conditions by peaceful means and the second war aim—second only to the defeat of the enemy's military effort—

will be to achieve, if possible, such conditions by using military as well as other means. However, we should realize that in the age of total war, waged with weapons of mass destruction, the postwar environment, no matter how the war is fought, may be unfavorable to the attainment of our fundamental purpose and that our second war aim may be, in effect, to minimize, so far as possible, this danger.

We can be sure that the postwar environment will again be characterized by perpetual competition among peoples, a competition characterized by constant changes in power relationships. The concept of a definitive military victory which would leave us for all time in a position of predominant power is a static concept—appropriate to a football game in which, when the whistle blows, the score is posted, the victor is acknowledged, and the struggle ceases, but not appropriate to a world in which change is the only constant history reveals.

War aims, therefore, should be devised to contribute to the attainment of our aims in the period following war. Only thus will our national policy flow consistently and constructively from peace through war and into peace again.

For this reason, we cannot consider wisely the problem of what our war aims should be until we have formulated in our mind's eye a picture of the world environment which we would like to see after a war—an environment which would enable the American system to flourish.

In seeking to do this we must proceed here on the basis of several assumptions or else we shall become lost in a tangle of varying suppositions. The assumptions are that the war in case is between the Soviet Empire and most of the Free World; that the alignments within the Free World and the Soviet Empire are pretty much what they now are; and that the military effort of the Soviet Empire to expand can and will be defeated.

Assuming this, what is the range of possibilities with respect to a postwar world environment? Stated in general and over-simplified terms they are:

*a*) International disorder, with the United States either so damaged and exhausted by the war or, if not severely wounded, so absorbed in a "return to normalcy" at home and perhaps so disillusioned about the rest of the world that it is unable or unwilling to exert influence for the creation of world conditions in which our system can prosper. We should not shrug off this possibility, for it is probable that the destruction of life and property in a war with the Soviet Union would far exceed the experience in World War II and it is not clear that the last war did not approach the limit of tolerance for destructiveness beyond which order as we have known it would have long disappeared from the world.

*b*) Recreation of the balance of power in the world. This would be a return to a familiar concept. It would, if attainable, enable the United States to play a stabilizing role with economy of effort, reduc-

ing the demands on and responsibilities of this country for the state of affairs elsewhere. But the historical progression has been towards centralization of power, culminating at the end of the last war in polarization of power. It therefore seems unrealistic to assume that a multi-partite balancing of power could be recreated even if it were desirable. It is more likely that the military defeat of the Soviet Empire will produce a single great world power in the United States; it is also possible and perhaps probable that this country, together with its principal allies, could establish a power position such that they could be confident that that position would balance off any possible combination of other states and make them secure against any external threat for many years.

*c*) Unilateral American domination of the world. In one sense, this might be easily invoked—if we emerged relatively unscathed from the war while other states suffered severe damage and if we were united at home in our determination to impose order in the world. Whether it could be long maintained is questionable: it seems unlikely that 150 million people could long impose order in view of both the external resistance and the domestic strains which such an effort would generate.

*d*) A development of the present and projected system of alliances in the North Atlantic and Mediterranean areas, Latin America, and the Pacific—in which the United States would participate and through which it might be possible not only to maintain a balance of power against any possible hostile combinations (see para. *b* above) but also to impose order in the world. The development of these alliances might go as far as confederation or even federation of certain countries, as for example in Western Europe or in the North Atlantic area as a whole, within a looser overall alliance system.

*d*) [*sic*] World government, whether through a transformation of the United Nations or through the independent creation of such a global authority. This is probably a visionary concept impossible of attainment in our time. But it is not out of the realm of possibility, particularly for certain limited problems (such as the control of armaments), and must therefore be seriously considered.

Which or what combination of the foregoing should we establish as a postwar goal, a goal the achievement of which the war effort should contribute to, if possible, or should, at worst, impede as little as possible?

No categorie answer can or should be given. It is impossible and unrealistic to blueprint with precision the distant future of human affairs. However, we can and—if this study is to be a useful guide—must attempt to design in tentative and general terms a set of postwar goals.

We can begin by a process of elimination. We should seek to avoid international disorder, for this result would be the one least compatible with continued progress toward our national objectives. This means that we should not retreat from the responsibilities of power. It also means that we should seek to conduct the war itself in such a way that we will retain great power—that the destruction of

American life and so far as possible of our productive plant will be minimized. This may mean—and the problem requires continuing study—that a quick military victory at great cost in American lives would be disadvantageous as compared to a longer war at less cost in American lives. At any rate we want to avoid the situation of France and the United Kingdom after the first World War—the decline of these states as world powers is probably closely related to their heavy losses of their best young men in that war.

Nor does it make sense, so far as we can now see, to establish a comprehensive and representative world government as a postwar goal. The diversity of political, economic, social, cultural, and moral conditions and values in the world will probably long make world government of any but an authoritarian character impossible. The door should not be closed, however, to developments leading gradually and naturally in that direction.

The three other possibilities listed above—balance of power, American domination, and regional arrangements—are each, with qualifications, more likely and more hopeful prospects. And they are not necessarily mutually exclusive. Certain elements of each can be combined to make a synthesis which will further the fundamental purpose of the United States.

Our war aims might, therefore, be tentatively defined as follows:

*a*) to defeat the military effort of the Soviet Empire to expand;
*b*) to use American power, so far as possible on a basis of shared responsibility, so that war may be abolished and international order promoted through a universal organization which will foster the peaceful and just accommodation of the conflicts of interest that are bound to arise in a dynamic world.

The first is clear. The second requires detailed consideration.

Since we do not believe that a representative world government with a monopoly of force can be established,* the abolition of war will require that the United States work for the establishment of an enforceable system for the control of armed forces and armaments. The enforcement of this system must rest in fact, whatever the forms may be, on the will and ability of the United States, alone or in dependable combinations with other states, to take enforcement action to suppress actual or threatened violations.

It should be assumed that enforcement action will from time to time be necessary, for it would be folly to assume that all peoples will, after the next war, forego for all time aggressive ambitions. Enforcement means intervention. Intervention arouses resentment. It seems to follow that the United States should seek to preserve and develop its

*Even if a representative world government could be established, it would be necessary to consider the dangers of civil war. [Footnote in the source text.]

system of alliances and a universal organization, for the following reasons:

*a*) so that the simple fact of the power of the combination or combinations to which we belong will discourage aggression by other states;

*b*) so that enforcement action will be shared with others and the resentment resulting therefrom will not be focussed on the United States;

*c*) so that enforcement action can be taken on behalf of a universal organization, thus providing a legal and moral basis for the action, and minimizing popular resentment against and maximizing popular support for the action taken against the governments of these states;

*d*) so that the need for enforcement action can be held to a minimum by developing popular support for the adjustment of conflicts of interest by peaceful and just processes of universal applicability.

The level of armed forces and armaments in the world and the arrangements for enforcement action should be generally in accordance with the program now being designed by the Departments of State and Defense as an aim of national policy in time of peace. This program should be modified in particulars as a war aim in accordance with the conditions under which the war is brought to an end. In general, it seems that we should be prepared to bring the war to an end by a negotiated peace which, so far as this problem is concerned, would gain acceptance by the Russian authorities of the program now being designed. (We are confident that the program now being designed would, if accepted by the Soviet Union, produce a fundamental change in the Soviet system.) If a negotiated peace on this basis cannot be obtained, the limitations imposed in connection with surrender might be more severe.

The program now being designed will foster the development of a balance of power situation among the countries of the world. Whether obtained by peaceful means or as a result of war, it should therefore tend to minimize the strains and demands on us for the maintenance of world order, particularly if it is applied in conjunction with our system of alliances and a universal organization. It is not possible to foresee clearly how this balance of power should be arranged at the conclusion of a war. In the Far East it would probably be to our advantage to see Japan, China, and Russia in fairly equal balance, and perhaps also India. As for Western Europe, including Germany, it may best be stabilized if incorporated in a North Atlantic arrangement in which we would participate. But such an arrangement may not be possible of attainment. Continental Western Europe might emerge as a separate entity of great potential power not allied to us in a dependable fashion. In this case we may wish to work toward arrangements with Latin America and the English-speaking members of the British Commonwealth; we might even wish to develop Russia

as a natural counter-poise to a German-dominated Western Europe so as to limit the burden of responsibility on us for keeping such a Western European power complex within safe bounds.

In summary, then, the general framework of our war aims could be defined as follows:

1. The bare essential of preventing the enemy from imposing his will on this country. Whatever sacrifice is required to insure this is justified and must be made.

2. As we progress toward this aim, attempting to conduct the war so as to contribute to the creation of conditions favorable to the attainment of our postwar goals. This means:

*a.* to preserve and develop the United Nations, or a successor, as a universal organization which will facilitate the peaceful adjustment of conflicts of interest;

*b.* to establish a universal system for the control and regulation of armaments and the enforcement thereof on behalf of the world organization by the United States and its dependable allies;

*c.* to preserve and develop our system of alliances, not excluding within this framework the federation or confederation of certain participants in these alliances—this system to include, if possible, the countries included in the present or projected North Atlantic, Mediterranean, Pacific and Latin American arrangements;

*d.* to work—by the armaments system and other means—for a balancing of other states not included in our alliance system;

*e.* to accomplish the foregoing with the greatest economy of effort and maximum conservation of our manpower and so far as possible of our material resources—if necessary, even at the cost of prolongation of the war and of the suffering of other peoples.

(*Note:* I suggest that we seek to reach agreement on the foregoing before we consider the problem of means—pp. 10–14 of the preceding draft. I think that that section needs to be developed with more specific reference to the aims as finally defined. R T)

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711.5/7-651

*Memorandum by Mr. Lucius D. Battle, Special Assistant to the Secretary of State*

CONFIDENTIAL [WASHINGTON,] July 6, 1951.

The Secretary told me on his return from Cabinet today that General Marshall had mentioned at Cabinet that the worst danger we were in at the moment was a let-down in our defense effort. The Secretary said all agreed that this was a great danger.

General Marshall said that he thought we should go ahead with our program and that we must make speeches on the radio and other-

wise about it. He said we should get our wisest public relations people to work on the matter. It was also mentioned at Cabinet that the Advisory Council would consider the matter on Monday.[1]

General Marshall suggested that for the next week or ten days, we might follow public lines somewhat as follows:

Everyone is worried about a possible trap in the Korean negotiations.[2] The real trap that we face is a let-down in our own defense effort. The Korean trap is chicken-feed compared to that trap. What the Russians want most is to have us slow down on our defense effort. We must be very much alert to this possible trap.

L[UCIUS] D. B[ATTLE]

[1] July 9.
[2] The First Session of the Military Armistice Conference took place on July 10. For documentation on the armistice negotiations, see volume VII.

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S/S–NSC Files, Lot 63 D 351, NSC 68 Series

*Memorandum for the National Security Council by the Executive Secretary (Lay)*

TOP SECRET WASHINGTON, July 12, 1951.

Subject: United States Objectives and Programs for National Security

References: A. NSC 68 Series
B. NSC Action No. 487–*a*

The enclosed directive by the President to the National Security Council with respect to the review of the NSC 68 programs is transmitted herewith for information and appropriate action.

The enclosure is supplementary to the action of the National Security Council at its 93rd meeting,[1] with the President presiding (NSC Action No. 487–*a*), when the Council directed the Senior NSC Staff to prepare, with the assistance of appropriate executive departments and agencies, the following reports for Council consideration:

*a.* A review of the status of the programs described in NSC 68/4, including an analysis of any difficulties which may be impeding or preventing their successful execution.

*b.* Recommendations regarding any revisions or modifications of the policies and programs contained in NSC 68/4.

Accordingly, the enclosed directive by the President is being referred to the Senior NSC Staff, with the assistance of representatives of appropriate executive departments and agencies, for the preparation

[1] June 6, 1951.

of the two reports referred to therein, the first due about August 1, and the second, by October 1, 1951.

JAMES S. LAY, JR.

[Annex]

*Directive by the President to the National Security Council*

TOP SECRET

The Director of the Bureau of the Budget has presented to me the outlook for the fiscal year 1953. I have concluded that it is essential that the estimates for our military and foreign aid programs should be presented to the Congress as a part of the budget which will be submitted in January. In order to complete the budget by January, it will be necessary for the agencies concerned to begin work on their 1953 estimates at the earliest possible date. But before the work can proceed I shall need the immediate advice and recommendations of the Council to establish assumptions which can be used for the present as a basis for budgetary planning. Later on, I shall want concrete recommendations on which to base firm program decisions. These steps are set forth in greater detail below.

The Council now has under way a review of the NSC 68 programs consisting, first, of a report on the status of these programs and the difficulties they are encountering; and, second, a report containing recommendations for modifications of these programs.

In order to provide assumptions upon which budget planning can be initiated, it will be necessary that the first of these two reports, namely, the status of the present programs, be made available to me about August 1. To make this report most useful it should include tentative recommendations as to the desirability of reaffirming or modifying the approved target dates for readiness under the presently approved programs, without definitive consideration for the time being of the magnitude of these programs, in the light of the following factors:

1. doubt as to whether or not we can achieve the build-up of our military forces, particularly the Air Force and naval air arm, to approved levels with modern equipment by the target date of June 30, 1952;
2. serious question as to whether the MDAP program as previously planned for 1954 will actually be realized in sufficient time;
3. experience which to date indicates that there may be some slippage against production rates which may further delay these programs;
4. possibility of delay in the authorization of military public works with a resulting tendency to retard the achivement of our readiness objectives;
5. the possibility of an armistice in Korea which may adversely

affect both congressional and public support for these programs unless steps are taken to forestall such possibilities;

6. the necessity of weighing all the above factors against the estimated status of the capabilities and intentions of the USSR and its satellities, particularly during the next 12 months.

In order that I may have the best possible basis for presentation of my program to the Congress in January, I will want to have the Council's second report by October 1. This report should contain basic recommendations on which decisions can be made as to the nature, magnitude and timing of all government programs relating to the national security.

[WASHINGTON,] July 12, 1951.

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Truman Library, Truman Papers, PSF–Subject File

*The Deputy Secretary of Defense (Lovett) to the President*

SECRET WASHINGTON, July 24, 1951.

MY DEAR MR. PRESIDENT: In accordance with your request, I return the original of the Report on Guided Missiles program submitted to you under date of July 10 by Mr. K. T. Keller, together with the summary sheet attached thereto.[1]

This Report was cleared through the Office of the Secretary of Defense and the recommendations contained in the memorandum attached to his letter are concurred in. Mr. Keller has succeeded in bringing a considerable amount of acceleration into this program by the application of practical judgment backed by unusual production experience.

With great respect, I am

Very sincerely yours, ROBERT A. LOVETT

[Annex]

*Summary of Report From Mr. K. T. Keller to the President*

STATUS OF GUIDED MISSILES

1. Since his appointment in October 1950, the Director of Guided Missiles has studied the status of all guided missile projects.

2. Highest priority to defense type. Every effort made to coordinate work already done (since 1944) by using services. Assembly line method divides time by forty. Knowledge required on the development of one missile can be applied in the perfecting of later types.

[1] The report, consisting of a letter from Mr. Keller to President Truman, a memorandum, and 3 tables, totaling 13 pages, is not printed. For the summary sheet, see below.

3. Under the category of Air Defense Missiles, fourteen are under development. Of these, three are far enough along for the establishment of a production facility to produce one thousand, each, for training and a production line by March 1953 capable of one thousand per month, each.

4. Under the category of Strategic Bombing, no project has developed to the extent of offering usable missiles short of six or seven years.

5. Tactical Ground Support Missiles have in several instances gone beyond the research and development stage and have been placed in pilot production. However, production of these types are several years hence.

6. Navy Support Missiles. A submarine launched missile is in pilot production as well as an air launched torpedo.

7. The cost of this program is to be $1,209,000,000 for 1951–1952, and if the present projects are successful, 1952–1953 should require 1½ to 2 billion dollars.

8. If the need for guided missiles should arise today, none would be available for use. It is impossible to predict the *exact date* that they will be.

9. Too much unauthorized publicity has been given the subject and as a result the public has a mistaken idea as to our readiness.

10. It is recommended that fiscal and priority support be given to maintain the proposed program for guided missiles as outlined.

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JCS Records,[1] CCS 381 US (1-31-50)

*Memorandum by the Joint Chiefs of Staff to the Secretary of Defense (Marshall)*

TOP SECRET [WASHINGTON,] 27 July 1951.

Subject: Review of the Policies and Programs in NSC 68/4.

1. Reference is made to your memorandum of 13 July 1951, on the above subject, with its attachments.[2]

2. The Joint Chiefs of Staff have reviewed the broad policies and objectives outlined in NSC 68 and the basic tasks and assumptions with reference to the United States Military Program in NSC 68/4. They consider that, with one exception, the policies, objectives, tasks and assumptions contained in the two papers remain valid.

3. This exception is the assumption that hostilities in Korea would terminate in Fiscal Year 1951, whereas the Korean conflict is still

[1] National Archives Record Group 218, Records of the United States Joint Chiefs of Staff.

[2] Not printed.

going on. It now appears possible that there may be an armistice in Korea, but it is neither possible nor prudent to assume definitely that an armistice and, later peace settlement will soon take place, so that the current Korean situation cannot correctly be regarded as a basis for lessening of our over-all effort toward strengthening our armed forces.

4. The Joint Chiefs of Staff are in agreement with the statement in NSC 68/4 that, if the general world situation continues to worsen, our currently approved force levels, under NSC 68/4, will have to be increased. Since the date of approval of NSC 68/4, the general world situation has unquestionably worsened. If it were not for the continuously increasing Communist world-wide threat, continuation of the Korean conflict would not require significant increases in force levels. This world-wide threat, however, makes necessary some augmentation in the currently approved force levels.

5. In this connection, the Army and the Navy have proposed for Fiscal Year 1952 certain modest increases to current authorizations with a leveling off during Fiscal Years 1953 and 1954. The Air Force has indicated a need for material increases during Fiscal Years 1953 and 1954. These separate proposals have been forwarded by the Joint Chiefs of Staff to the Secretary of Defense and are currently under study.

6. It now appears that certain munitions objectives implicit in the approved force levels for United States armed forces of NSC 68/4, cannot be attained by the target date of 1 July 1952. Most of these delayed requirements will be met during the latter half of calendar year 1952, but some of them will not be met until calendar year 1953. The delayed items consist of long-lead-time equipment such as tanks, anti-aircraft equipment, tactical radios, motorized equipment, heavy construction equipment, electronics equipment, certain types of ammunition and spare aircraft engines. It also appears that there will be delay, until the last half of calendar year 1954, in fully meeting long-lead-time munitions requirements for the Mutual Defense Assistance Program.

7. In connection with the foregoing indications, it is recommended that the report of the Chairman of the Munitions Board on the matériel program be referred to the Joint Chiefs of Staff in order that they may give further consideration to equipment capabilities and shortages in future planning.

8. The Joint Chiefs of Staff consider it vital to our national security that maximum effort be exerted to achieve the objectives of NSC 68/4 at the earliest practicable date. They, therefore, recommend that there be no change in the target date of 1 July 1952, even though

it is realized that, due to budgetary and production limitations, and the expenditures that have been made in the Korean conflict, this target date for readiness of United States forces will not be met. The Joint Chiefs of Staff also desire to stress the importance of accelerating the Mutual Defense Assistance Program (MDAP) in order that the target date of 1 July 1954 may more closely approximate the target date for United States forces.

For the Joint Chiefs of Staff:
OMAR N. BRADLEY
*Chairman*

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PPS Files, Lot 64 D 563

*The Counselor (Bohlen) to the Director of the Policy Planning Staff (Nitze)*[1]

TOP SECRET [WASHINGTON,] July 28, 1951.

DEAR PAUL: While Newby Walmsley[2] was out here yesterday he showed me a copy of the current redraft of the NSC 68 series.[3] As he indicated in his memorandum to you, I find my habitual dilemma in regard to these series. In order to be clear, I wish to state, as I did originally last April,[4] that it is no quarrel with the basic recommendations concerning the necessity of a rapid buildup of military strength, especially in the U.S. and in Western Europe, that bothers me. I am obviously in hearty accord with these conclusions. What does disturb me, however, is the part dealing with the analysis of the Soviet Union, its policies and intentions, which I see perpetuated in NSC 114. I feel very strongly that unless we arrive at a correct estimate of the phenomena of the Soviet Union, how it operates, etc., we will never be able to act most effectively. After all it is the estimate and analysis of the Soviet Union and how it operates that conditions our thinking and ends by dictating our action.

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[1] At the time of his appointment as Counselor in March, Charles E. Bohlen, then Minister of Embassy in France, was designated Department of State Representative on the Senior Staff of the National Security Council. However, assignments in Europe prevented him from returning to Washington until July. During the interim period, Paul H. Nitze, Director of the Policy Planning Staff, coordinated State Department participation in NSC staff operations.

[2] Walter N. Walmsley, Jr., Alternate Department of State Representative on the Senior Staff of the National Security Council; State Member, NSC Staff Assistants.

[3] The paper under reference is presumably NSC 114, "Status and Timing of Current U.S. Programs for National Security," a report to the National Security Council by Executive Secretary Lay, July 27, 1951, not printed. For text of NSC 114/1, August 8, see p. 127.

[4] Bohlen's memorandum of April 5, 1950, a copy of which is attached to the source text, is printed in *Foreign Relations*, 1950, vol. I, p. 221.

I am confining my comments only to Part I of the paper [5] since I am not in any position to comment on the parts dealing with our current programs, their status, adequacy, execution, etc.

My chief objection to Part I is the presentation of the Soviet Union as a mechanical chess player engaged in the execution of a design fully prepared in advance with the ultimate goal of world domination.[6] The phrase "world domination" is a misleading truth and tends to become related to the phenomena of Hitler in minds of people here in Washington who have had no longterm dealings with the Soviet Union. On this point we must be able to make a distinction between a serious and continuing risk of war growing out of the present situation in the world and a firmly held belief that war will probably start by Soviet deliberate calculation at such and such a date. The result in either case may be the same, i.e., war; but the methods of dealing with it are quite different depending upon which thesis is accepted. Furthermore, as you know, I have never felt from the beginning—and I believe, although I commit no one, that this view is shared by most of the people in the Russian work, including George [7]—that Korea represented a new phase in Soviet general policy indicating a willing-

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[5] Part I of NSC 114, "Changes in the World Situation Since the Completion of NSC 68," is virtually identical with Part I of NSC 114/1 (p. 129), with the exception of paragraphs 6 and 9. Paragraph 6 of NSC 114 reads as follows:

> "6. As anticipated in NSC 68, the Kremlin regards most seriously the prospect of Western rearmament. It is especially sensitive to German and Japanese rearmament and the establishment of American bases overseas. Its principal immediate purpose is to frustrate these programs. Its presently indicated course of action to that end is a specious peace campaign designed to exploit both fear of a new general war and reluctance to make the sacrifices necessary to redress the balance of power. There is a serious danger, which may become acute if a cease-fire in Korea is agreed to, that by such wiles the USSR may yet lull the free world into a false sense of security, with adverse effect upon both its military posture and its political cohesion. If, however, the United States demonstrates determination and progress in meeting its commitments to build the strength of the free world to the level at which it can deter or defeat Soviet aggression, and if Soviet conciliation is seen to present no real assurances of peace and security, it is likely that the alignment of the West can be maintained and its strength further developed."

Paragraph 9 of NSC 114 reads as follows:

> "9. The level of military production in the United States and Western Europe and the flow of military assistance to allied countries has lagged behind the programs contained in NSC 68/4. In general, the output of military equipment has been a more serious limitation on the building of military strength than the availability of manpower for the armed forces. While this limitation is partly the result of technical production and organizational factors, it is also traceable to factors of will, political strength, and psychology which are less favorable than was expected." (S/S–NSC Files, Lot 63 D 351, NSC 114 Series)

[6] The following marginal notation by Nitze appears at this point: "We don't believe this or say it." The phrase "world domination" does not appear in NSC 114, Part I.

[7] George F. Kennan, member of the Institute for Advanced Study, Princeton, New Jersey; Director of the Policy Planning Staff, 1947–1949; Counselor, 1949–1951.

ness to accept the grave risk of precipitating global war which was not present before Korea.[8] Most evidence at our disposal seems to indicate that the Russians made a gross miscalculation in Korea and did not anticipate any such risk. If this is correct, then their action in instigating the Korean attack is not logically susceptible of the conclusion reached in paragraph one of Part I. It does not follow, however, that once having embarked on a false presumption that there will not be a series of reactions to the situation thus developed. As to the question of risk of global war, surely the Berlin blockade contained almost an equal risk of precipitating a global conflict, if only for the reason that the troops of the principal major powers were directly on the spot.

I do not know the authority for the statement in paragraph two, that since April 1950 the USSR has been engaged in a deliberate campaign to prepare for possible war with the U.S. This has been standard Soviet procedure directed against their chief potential enemy ever since the foundation of the Soviet state. As far as the United States is concerned, this campaign began well before 1950.

It is possible that being in Paris[9] I have not had access to the information to justify the flat statement in paragraph three in regard to Soviet military strength at present as compared to a year ago. Also, is it true vis-à-vis the United States and the West, in view of the rearmament already achieved? I do not question the statement on the satellites nor the reference to the quality of Soviet military production, but I think the last statement that in April 1950 the prospects were more favorable to the U.S. than now is one that should have further elaboration and proof.

Re paragraph six, there is no question but that the Soviet Union would like to break up Western rearmament, but I would put U.S. rearmament and overseas bases ahead of German and Japanese rearmament. While agreeing fully with the dangerous effect of any Soviet peace offensive, I do not consider softness on the Soviet side as reflected in the cease-fire discussions in Korea, Malik's statement etc.,[10] to be primarily motivated by a desire to lull the free world to sleep. This is one of the possible consequences which we must guard against at all times, but so far the Soviets have not shown themselves capable, for reasons which I will not go into here, of pursuing consistently any such aim. It is more likely to my view that the Russians desire some alleviation of acute tension in specific spots, i.e., Korea, because they

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[8] The following marginal notation by Nitze appears at this point: "We don't say that about the original intervention but do about the Chinese."

[9] Bohlen was Minister in the United States Embassy in France, June 1949–March 1951.

[10] Reference is to the statement by Jacob A. Malik, Soviet Representative at the United Nations, June 23, 1951, suggesting armistice negotiations in Korea. Documentation on this subject is presented in volume VII.

see in it the genuine danger of global hostilities. Since I agree with the danger expressed in paragraph six, the only purpose of the comment is to show that taking possibly a false assumption of Soviet intention in this field may lead to a very radical conclusion which is found in paragraph seven. This paragraph states flatly that if this alleged aim of the Kremlin, i.e., to disrupt Western rearmament, cannot be done by the soft method, then there is a strong probability that the Soviets will resort to preventive war. Everything is a possibility, but I do not think that the logic of Soviet action leads to that type of conclusion. I think it is a dangerous thought as it might tend to condition us to an unwise response to a Soviet "peace offensive" in order to avert the alleged danger of Soviet preventive action.

I am of course quite unable to comment on the upward revision of Soviet atomic capabilities. (There is clearly a misprint in "10" and "mid-1952" is meant rather than "mid-1950".) It seems to me that in the "68" papers on this subject there is a genuine confusion in thought. If the atomic equation is regarded as controlling, then logically the Russians would go to very great lengths to avoid anything that could lead to a serious risk of genuine war before this equation, both offensive and defensive, was sufficiently balanced in their favor; in which case, how can Korea be regarded as a willingness on the part of the Soviet Union to court general war and how can the very pessimistic statement in paragraph 12 of Part I be supported?

I fully realize that many of these comments may be based on ignorance on my part of certain basic intelligence and other material, but since I do know that in the past our policy abroad on many questions has been dictated by the considerations outlined in the "68" series, including the stepped up dates, I would like very much to have some of these questions I have raised answered more fully before the estimate in Part I becomes accepted as official U.S. Government doctrine. It is for this reason that I asked Newby to ask you if it would be possible to see you before you leave for Europe. He apparently misunderstood me as I did not in any sense mean that you should bother to come out here, but merely to tell you that I will be out on Tuesday night [11] at the Joyce's [12] and probably be there most of Wednesday.

Could you leave word with Miss Wojnar when we could get together for a talk on this subject. You could of course bring with you the people from S/P who have been working on this paper.

CHARLES E. BOHLEN

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[11] July 31.
[12] Presumably Robert P. Joyce, member of the Policy Planning Staff.

S/S–NSC Files, Lot 63 D 351, NSC 114 Series

*Memorandum by the Director of the Policy Planning Staff (Nitze) to the Secretary of State*

TOP SECRET [WASHINGTON,] July 31, 1951.

MR. SECRETARY:

Subject: The Issues in NSC 114.[1]

1. The underlying issue.

The objectives of the program can be summarized as being

*a.* to deter war;
*b.* to be ready, and in time, should war come; and
*c.* to be in a position to continue the program on a sound basis for as long a period of time as may be necessary.

The issues underlying NSC 114 arise from different evaluations as to the relative importance of these three objectives. Those who worry most about the political and practical difficulties in a rapid execution of the program tend to place maximum emphasis on "c". These are Secretary Marshall, Lovett, McNeil,[2] the procurement officers in the services and the Munitions Board. The State Department and the JCS have put primary emphasis on "a" and "b". ODM and the Council of Economic Advisers both stress the fact that the general economy can stand a far greater effort than we are currently putting on it, and tend to be extremely critical of the Defense Establishment for talking as though the program were urgent and acting as though they were convinced of the wisdom of spreading it out. ODM feels that it is probably over-controlling the civilian economy for the small volume of war production which is actually coming off the line.

2. The particular issues which need clarification:

*a.* The risk of aggression against areas or principles which are vital to our security and the consequent risk of war.

State, the CIA, and the JCS all agree that the risk of further aggressive action on the part of the USSR or its satellites is not only real but probable and that the current military strength of the free world is grossly inadequate to put us in a position to deal satisfactorily with any such aggression. The risk of general war arising from such aggression is therefore great.

*b.* The period of greatest risk.

State and CIA feel that we are now in the period of substantial danger. We believe this period will continue until our rearmament and that of Europe has progressed to the point contemplated by the targets in NSC 68/4. We believe that the disparity of our atomic capabilities versus those of the USSR contributes to restraining the USSR from taking actions which in their estimation would bring on

[1] NSC 114, "Status and Timing of Current United States Programs for National Security," July 27, 1951, is not printed. For text of NSC 114/1, August 8, see p. 127.

[2] W. J. McNeil, Assistant Secretary of Defense (Comptroller).

a general war. It appears to us essential to achieve preparedness prior to the substantial reduction of our atomic superiority. The period of greatest danger would certainly be on us if we permit a situation to arise where we have lost our preponderance in the atomic field and have not yet achieved an adequate state of preparedness.

*c.* The effect of our actions upon possible action by the USSR.

There is a widespread point of view in the Pentagon that if the USSR has determined to go to war it will; if it has not, it won't irrespective of what we do. We in State have felt that there is an important interplay between our actions and those of the Soviets. We believe that strength is the basic deterrent. We also feel that a program for building strength, prior to the time the strength has been achieved, tends to increase the likelihood of USSR counteraction. We would like to see the period of build-up and therefore of greatest sensitivity shortened as much as possible. There are, however, factors in the psychological field which would indicate that during this period we should beat the drums only as much as is necessary to get the job done.

An ability to sustain the program over as long a period of time as is necessary is also an obvious requirement. Otherwise we would have to force the issue at the time of our maximum build-up or reconcile ourselves to a continuing long-run erosion of our position.

*d.* The specific conflicts between a more urgent program and one which we can sustain over a period of time.

(1) Secretary Marshall and many others who lived through the bleak days of minuscule military budgets during the 20's and 30's are very dubious whether the U.S. people and the Congress will support military budgets at a level even of $20 billion a year over an extended period.

(2) They therefore tend to view the present program of $108 billion as a one shot authorization which may well be followed only by normal pay, maintenance, and replacement budgets.

(3) Therefore they believe that, if an adequate industrial mobilization base is to be built and maintained, it must be done within the $108 billion program. If one were to construct all the tanks which can be financed out of the funds allocated to tanks in the $108 billion program, by July 1, 1952, all the tank production lines would have to shut down. It is easier to expand an already expanding program, in their judgment, than to expand a declining or stopped program. Therefore, we get better protection by spreading out the production by one-shift operations, etc. over a longer period of time.

(4) A spread out program will permit further progress on new design and development work permitting improved weapons, thus guarding against stockpiles of obsolete weapons.

(5) We in S/P on the other hand feel that

(i) in an atomic age weapons in being have an increased value over production lines which are vulnerable to attack;

(ii) that a spread out program will necessarily delay the time of completing, and even delay making much progress with, European and other foreign rearmament plans;

(iii) that the U.S. people will respond better to a job done with an efficiency and drive that corresponds to their realization of the dangers inherent in the world situation, than to doubts and suspicions as to whether the Administration has been pulling their leg as to the seriousness of the situation;

(iv) that additional programs over the $108 billion will be needed after the completion of that program and that funds can be obtained therefor;

(v) that new design and development work can proceed concurrently with an aggressive production program;

(vi) that a more urgent program will have a material bearing on the risk of war and on our readiness should it nevertheless come.

*e.* Status of NSC 114.

We believe that this paper is in about as good shape as could have been expected in the time available. We concur in the conclusions. Neither the paper nor the discussion which preceded its drafting laid the important issues out on the table.

The impression was given in the discussion that the problem was merely one of unavoidable delays in designing, scheduling, getting machine tools, materials, etc. It was only in private discussions that any one adverted to what I believe to be the underlying differences as to policy.

The paper covers up to some extent the seriousness of the lags not only in the production program, but in the civil defense program, the MDAP program, and the public information program.

One of the dangers involved in NSC 114 is that the Bureau of the Budget will not take seriously the language in the conclusion, recommending that present production schedules be accelerated where possible, and will do its budget work on the basis of projecting existing schedules. In that event, the availability of funds which is not now a bottleneck may become one.

PAUL H. NITZE

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711.5/7-3151

*Memorandum by Mr. William H. Bray, Jr., of the Office of International Security Affairs*[1] *to the Director of That Office (Cabot)*

TOP SECRET [WASHINGTON,] July 31, 1951.

Subject: Summary of NSC 114—Status and Timing of Current U.S. Programs for National Security.[2]

The summary presented below is designed to give you a quick review of other programs included in the NSC 68/3 and NSC 68/4 series.

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[1] Bray was Chief, Program and Operations Staff. For documentation on the operations of the Office of International Security Affairs and the International Security Affairs Committee, see pp. 266 ff.

[2] NSC 114 is not printed; for text of NSC 114/1, August 8, see p. 127.

A. *Changes in the world situation since the completion of NSC 68.*

1. NSC 68 presented a prospect which was more favorable for the United States than now appears to have been warranted. The danger to our security is greater now than it was in April 1950. At that time, 1954 was regarded as the time of maximum danger. It now appears that we are already in a period of acute danger, which will continue until the United States and its allies achieve an adequate position of strength.

2. The military power of Russia and its satellities is increasing and the Soviet rulers have demonstrated a willingness, although closely calculated, to take actions which involve grave risks of precipitating general war.

*a.* Estimates of Soviet atomic capabilities given in NSC 68 have been revised upwards.

*b.* Military strength of the Eastern European satellites since April 1950 has been large and alone probably offsets the increases which have been achieved in Western Europe. Similarly, the Chinese Communist regime has considerable military capabilities at its disposal and has made progress in consolidating its control in China.

*c.* The U.S.S.R. has demonstrated its ability to develop large military capabilities where none existed a few years ago, as in North Korea.

*d.* Soviet military production is of high quality—higher than had previously been estimated.

*e.* The Kremlin is conducting a systematic campaign to prepare the Russian people psychologically for possible war with the United States. The Kremlin is fully capable of maintaining control over the Russian people and those in the satellites.

3. The Kremlin regards most seriously the prospect of Western rearmament and is especially sensitive about the rearmament of Germany and Japan. The presently indicated action on the part of Russia to frustrate these programs of rearmament is to wage peace campaigns designed to exploit in the West both the fear of war and the reluctance to make the needed sacrifices. If this course of action fails, the danger of Soviet preventative action will be acute.

4. Situations have developed in Korea, Iran and the Balkans in which general war could issue by accident or by miscalculation.

5. On the part of the free world important progress has been made to meet the Soviet threat; but this progress has been slow and unsatisfying in relation to the abnormal exigencies of the situation. The United States and its allies have moved less rapidly than envisaged in NSC 68/4 toward exploiting their vastly superior economic potential to improve their overall power position in relation to the Soviet system. The level of military production in the United States and Western Europe and the flow of military assistance to allied countries have lagged behind the programs contained in NSC 68/4.

B. *The military program.*

1. The target date of June 30, 1952 was set for completing the equipment and modernization of the approved active forces as well as getting a start on the accumulation of a minimum level of war reserves. The current estimate indicates that United States Armed Forces will not achieve the state of readiness planned for mid-1952 because important items of equipment will not be delivered until 6 to 18 months later.

*a.* Army—If no further major slippages in production schedules occur, if adequate funds and controls are provided, and if Korean operations cease in the very near future, the Army can support combat operations in Europe at the planned level early in Calendar Year 1953. If combat in Korea continues until the end of 1951, the Army will be unable to support combat in Europe at the planned level prior to late Calendar Year 1953.

*b.* Navy—Active forces strength (other than air) planned for the end of June 1952 will be initially equipped or modernized sometime around the middle of Calendar Year 1953, i.e., one year later. Both the ship conversion program and the construction of new ships are regarded as long lead time items for which completion date runs as far ahead as the end of 1954.

*c.* Air Force—Under the 95 wing program the various wings will be equipped with modern aircraft by dates running from December 1952 in the case of trainers and fighter interceptors to December 1953 in the case of medium bombers and medium reconnaissance planes.

2. For many of the long lead production items the attainment of the required volume of production by mid-1952 was never scheduled for production since this would be incompatible with the establishment of a broad mobilization base by the same date.

3. Output has fallen below production schedules for many important end items. The main factors accounting for slippage in recent months are:

*a.* Design delays and changes; and engineering difficulties, as in the electronics field.

*b.* Inability to obtain prompt delivery on certain specialized machine tools.

*c.* Shortages of trained personnel in the procurement and production branches of the military departments.

*d.* Shortages of skilled labor, as in the aircraft and electronics industries.

4. The military strength on June 30, 1951 was 3,252,000. The military services met their personnel objectives for June 30, 1951 and expect to meet the target for June 30, 1952. The approved Fiscal Year 1952 military strength is 3,627,981, which will require a gross input of 1,545,000 men during the year. The anticipated manpower pool will be adequate to handle the call-up of men for duty. The military strengths can be accommodated with facilities now on hand and which will be provided in the Publics Works Bill now before Congress.

C. *The mobilization program.*

The controls now instituted for the mobilization of resources and the stabilization of the economy are based upon substantially higher security programs than those now in the stage of mobilization. For the internal management of the mobilization program it is important that Fiscal Year 1952 production schedules be made fully realistic immediately and that firm schedules for 1953 be available as soon as possible.

1. The materials control system of World War II is now virtually restored. Copper and certain alloying metals are becoming scarce; and cutbacks in materials have brought in the Detroit area the first serious case of large scale unemployment directly traceable to the mobilization program.

2. Industrial expansion of very large proportions is under way. Present plans call for 100 percent increase in primary aluminum capacity, a 13 percent increase in steel capacity and a 14 percent increase in petroleum supply. The resources required for this expansion, however, are also needed in increasing amounts for both defense production and for civilian durable goods.

D. *Foreign military and economic assistance.*

The summary included in NSC 114 is identical with the one given in ISAC D–20.[3]

E. *The civil defense program.*

Preparations for civil defense are not advancing as rapidly as necessary. The present program is a state-federal program in which the federal administration develops plans and programs for the guidance and assistance of the states. Principal difficulties encountered are the lack of appropriations and the attitudes of indifference toward civil defense.

F. *Stockpile.*[4]

1. It was always recognized that the attainment of all the stockpile objectives was not feasible for many commodities.

2. Since December 1950 the target set for mid-1951 and mid-1952 have been revised downwards for many commodities for which current military and civilian requirements are in excess of supply.

G. *The information program.*[5]

1. One of the most important elements in the augmentation of the "campaign of truth" program was the establishment of a series

[3] ISAC D–20, "Analysis and Appreciation of Foreign Military and Economic Assistance Programs," a report by the International Security Affairs Committee, July 26, 1951, is not printed. ISAC D–20b, same title, July 30, the version of the report approved by the Committee, is printed as Annex No. 2 of NSC 114/1, August 8, p. 360.

[4] For information on the U.S. stockpiling program, see p. 208.

[5] For documentation on the United States foreign information program, see pp. 902 ff.

of radio stations to penetrate the iron curtain countries and areas of the sub-Asian continent.

2. Congress has refused to appropriate sufficient funds. The report recommends that adequate funds be sought so that the radio stations can be placed in operation in approximately 24 months from the date of appropriations.

H. *Foreign intelligence and related activities.*

The report states that action is being taken to improve and intensify these activities but that difficulties are being encountered owing largely to the shortages of trained personnel and the lack of adequate facilities. The report notes that substantial progress has been made in the development of cooperation and coordination among the several intelligence agencies.

I. *The internal security program.*

The present basic internal security program is almost identical with that recommended by the interdepartmental committee on internal security and the interdepartmental intelligence conference. Needed measures to promote internal security, including industrial and port security, are well under way.

J. *Conclusions.*

The NSC Staff finds that the NSC 68/4 programs will not be accomplished at the present pace and scale of effort. The Staff recommends that, as a basis for the preparation of budget estimates, and pending further recommendations in the report due on October 1, 1951, the responsible agencies should be directed to accelerate their presently approved programs, particularly in the production field, in order to advance currently projected completion dates as far as feasible toward the target dates established in NSC 68/4.

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Secretary's Memoranda, Lot 53 D 444 [1]

*Memorandum of Conversation, by the Secretary of State*

TOP SECRET [WASHINGTON,] August 1, 1951.

At the NSC meeting this afternoon the first paper discussed was no. 114.[2] The President asked Mr. Lovett for comments who then requested that the paper be put over for one week stating that figures furnished by the Department of Defense to the Senior Staff had turned

[1] Collections of the Secretary of State's memoranda, memoranda of conversation, and memoranda of conversation with the President for the years 1947–1953, as maintained by the Executive Secretariat of the Department of State.

[2] Not printed, but for text of NSC 114/1, August 8, see p. 127.

out to be hastily prepared and erroneous. He illustrated this at some length.

The President agreed for the paper to go over, but expressed very strong determination that steps had to be taken to accelerate the program. It will be referred to the Senior Staff and discussed next week.

[Here follows discussion of another subject.]

D[EAN] A[CHESON]

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711.5/8-251

*Memorandum by Mr. William H. Bray, Jr., of the Office of International Security Affairs to the Director of That Office (Cabot)*

TOP SECRET [WASHINGTON,] August 2, 1951.

Subject: Revision of the Basic Report in NSC 114—Status and Timing of Current U.S. Programs for National Security.

The July 31 edition of the NSC Staff report on this subject makes the following important changes in the previous report which I summarized for you in my memorandum of July 31:

1. In an attachment accompanying the July 31 Staff report the JCS concur in the view that "it now appears that the United States and its allies are already in a period of acute danger, which will continue until they achieve a position of strength adequate to support the objectives defined in NSC 68". The JCS also concur in the view that "it is vital to our national security that the objectives of the NSC 68/4 programs be achieved at the earliest practicable date". (underlining mine)

2. A fuller explanation is given for the failure of military production in the United States to meet the military readiness targets indicated in NSC 68/4. Among other things, it is pointed out that the approved force levels were set on December 14, 1950 and the detailed matériel programs were finally approved on April 19, 1951. In addition, other limitations on the availability of military equipment are (a) the practical problems of reducing production lead times, (b) delay in administrative actions, which could have made tools and facilities available at an earlier date, (c) organizational problems in production facilities and (d) the decision to expand the production base and concurrently to secure delivery of end items.

3. A much firmer statement is given in this draft about the capability of the United States economy to carry a load of the magnitude represented by the NSC 68 programs. The report states: "There can be no doubt of the capability of the economy to support a level of military production somewhat higher than that projected in the NSC 68 programs together with civilian consumption levels comparable with those prevailing in the period 1947–1949."

4. The conclusions of the report have been modified to recognize explicitly that the target dates for certain items within many programs cannot be met on schedule and, therefore, revisions within these programs should be undertaken with a view to determining those items essential to national readiness, which should be accelerated.

*a.* The gravity of the world situation demands that as much of all programs essential to the national readiness as is practicable be accomplished by or before the approved target dates for the NSC 68/4 programs.

*b.* The Staff recommends that, as a basis for the preparation of budget estimates, responsible departments and agencies should be directed to accelerate their presently approved programs in order to advance currently projected completion dates as far as feasible toward the target dates established in NSC 68/4 and in particular, to review for each major item the problem of achieving accelerated production while securing an adequate mobilization base. (underlining mine)

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Secretary's Memoranda, Lot 53 D 444

*Memorandum of Conversation, by the Director of the Office of Northeast Asian Affairs (Johnson)*

TOP SECRET [WASHINGTON,] August 3, 1951.

Subject: Intelligence Reports on Outbreak of World War III

Participants: Mr. Henri Bonnet, French Ambassador
The Secretary
Mr. Reinhardt, EE [1]
Mr. Johnson, NA

Ambassador Bonnet called at his request and stated that he had been instructed by the Foreign Minister to inquire of the Secretary concerning our evaluation of certain intelligence reports received by the French Government. He stated that the first report, which had been received by the French representative in Tokyo from U.S. military sources there, was to the effect that the Vice President of the Chinese Communist government had recently transmitted a message to the chief of the Chinese Communist secret service and to the Commander of the Chinese Volunteer Forces in Korea to the effect that an outbreak of general hostilities could be expected shortly after the signing of the Japanese peace treaty on September 4.

The second report, also received by the French representative in Tokyo from U.S. military sources there, was to the effect that in a recent conference between Mao Tse-tung [2] and Chou En-lai [3] it was stated that the successful outcome of the present armistice negotiations in Korea could not be expected and that general hostilities would break out immediately following the signing of the Japanese peace treaty on September 4.

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[1] G. Frederick Reinhardt, Director of the Office of Eastern European Affairs.
[2] Chairman of the Central People's Government Council, People's Republic of China; Chairman of the Central Committee of the Communist Party of China.
[3] Premier and Foreign Minister, People's Republic of China.

The third report, the Ambassador stated, was received by the French Government from Cominform sources in France, to the effect that World War III would start during September of this year and preparations therefore should be made.

The Secretary replied that he had no personal knowledge of the first two reports and as far as the third report was concerned our information, while indicating the Communists were probably in a position to undertake general hostilities at any time, reported no unusual signs or indications pointing toward their intent to do so in September.

The Ambassador stated he assumed that as the first two reports had not come to the Secretary's attention they might well be of low evaluation.

The Secretary stated that he would look into the matter immediately and if the reports were such as to warrant immediate attention he would get in touch with the Ambassador later this afternoon, but that if he did not do so the Ambassador could assume that such was not the case and that he would discuss the matter further with the Ambassador on Monday.[4]

[4] August 6.

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103.11 NIS/8-651

*Memorandum by the Special Assistant for Intelligence (Armstrong) to the Secretary of State*

TOP SECRET [WASHINGTON,] August 6, 1951.

Transmitted herewith for your information is a copy of NIE 25: *Probable Soviet Courses of Action to Mid-1952.*[1] This Estimate should be read in conjunction with Part I of NSC–114, although you will note that it only discusses the probable courses of action up to mid-1952, whereas the estimate involved in Part I of NSC–114[2] concerns the same problem over a longer period.

Your attention is called to the final paragraph in the attached Estimate. The Intelligence Advisory Committee, after great struggle, concluded that it could not, on the basis of present intelligence, make a categorical statement that the Kremlin is "likely" or "unlikely" deliberately to precipitate war, although it does state that the USSR has the capability to launch general war and may decide to precipitate general war. The estimate develops this aspect and also evaluates the

[1] A copy of NIE–25 does not accompany the memorandum of transmittal in the files. The copy of NIE–25 which is printed here is in the files of the Bureau of Intelligence and Research, Department of State.

[2] Not printed, but for text of NSC 114/1, August 8, see p. 127.

Possible Soviet courses of action if the Kremlin does not have the intent to precipitate or incur serious risk of general war.

W. PARK ARMSTRONG, JR.

*Note to The Secretary and Mr. Nitze:*

This is the final version of the Estimate which was given to you in final-draft form on August 1 with a memorandum similar to the one above. P. A.

[Annex]

*Memorandum by the Central Intelligence Agency*

TOP SECRET
NIE-25

[WASHINGTON,] August 2, 1951.

NATIONAL INTELLIGENCE ESTIMATE [3]

PROBABLE SOVIET COURSES OF ACTION TO MID-1952

THE PROBLEM

To estimate probable Soviet courses of action to mid-1952 with particular reference to the probability of direct hostilities between the US and the USSR.

ESTIMATE

I. *Soviet Objectives*

1. We believe that the ultimate Soviet objective is a Communist world dominated by the USSR and that the Kremlin believes its vital interests can be assured over the long run only by the elimination of all governments it cannot control. This objective probably reflects a Kremlin conviction that peaceful coexistence of the USSR and its empire on the one hand, and the US and its allies on the other, is impossible and that an armed conflict between them is eventually inevitable.

2. The principal immediate Soviet objectives evidently are:

*a.* To divide the West;
*b.* To prevent Western, West German, and Japanese rearmament;
*c.* To prevent implementation of the US overseas-bases policy.

[3] For information regarding the drafting of National Intelligence Estimates, see footnote 1, p. 4.

3. We believe the USSR, in the pursuit of its objectives, will during the period of this estimate:

*a.* Seek to maintain an advanced state of war-readiness and offset any increase in the capabilities of the US and its allies;
*b.* Seek to prevent the development of any threat to the vital interests of the USSR or to Soviet control of the Satellites;
*c.* Seek to expand the territorial limits of the Soviet orbit;
*d.* Seek to undermine and secure control of governments not yet under Soviet domination;
*e.* Seek to force countries of the free world to adopt a policy of neutrality in the East-West struggle and to deny their resources, including strategic sites, to the US and its allies.

II. *Military Considerations Underlying Soviet Action*

4. We estimate that the armed forces of the USSR have the capability of overrunning continental Europe and the Near and Middle East (except India and Pakistan) within a relatively short period.

5. The USSR does not now have and would be unlikely to secure adequate naval forces or sufficient shipping to permit it to mount a successful invasion of the Western Hemisphere, even if it should seize the Eurasian continent and the UK.

6. The Soviet Air Force is capable of providing adequate tactical support of all ground campaigns which the USSR might launch against continental Europe and the Near and Middle East (except India and Pakistan), and simultaneously of attempting a strategic air offensive against the United Kingdom and the North American continent.

7. It is impossible to estimate with any accuracy the Kremlin's conclusion with regard to the relative effectiveness of Soviet and US atomic warfare capabilities or with regard to the relative importance of atomic and conventional weapons in determining the issue of a future general war. We believe it probable, however, that uncertainty concerning relative atomic warfare capabilities and concerning the effectiveness of atomic weapons in determining the issue of a general war will be a major, though not necessarily a decisive, deterrent to the Kremlin in making a decision to initiate or deliberately provoke a general war with the US during the period of this estimate.

8. The USSR is capable of employing sabotage against a variety of targets and of employing clandestine methods to attack the US and its allies with atomic, biological, and chemical weapons. We believe, however, that those capabilities would be exercised on an appreciable scale only in conjunction with or immediately preceding general

military operations and that they would not be a decisive factor in any Soviet decision to initiate a general war.

III. *Possible Soviet Courses of Action Without Intent To Precipitate or Incur Serious Risk of General War*

9. While in Soviet theory and practice war is an acceptable, and on occasion necessary, instrument for attaining Communist objectives, the Kremlin presumably prefers if possible to attain its objectives by courses of action short of resort to general war. The Kremlin probably estimates that opportunities exist for making limited progress toward both its immediate and long-run objectives, at least during the period of this estimate, without provoking general war, because of:

*a.* The deterrent effect of the estimated Communist capability to overrun most of Eurasia at will;
*b.* The deterrent effect of Soviet capabilities for atomic warfare;
*c.* The divergent interests of the Western Powers; and
*d.* The general reluctance of the Western Powers to become involved in general war.

10. In discussing courses of action short of general war, it is necessary for clarity to examine each separately. Soviet policy envisages various courses of action—political warfare, limited Satellite or Soviet armed aggression, and even general war. While, therefore, separation for purposes of exposition is essential, the inseparable connection of all possible courses of action must be kept in mind.

A. *Political Warfare*

1. The Kremlin may consider the prospects of success by political warfare* sufficiently favorable to make other courses of action unnecessary. For example, with the immediate objective of dividing the Western Powers, undermining US mobilization, obstructing the NATO program and frustrating prospective German and Japanese rearmament and with the ultimate objective of paralyzing opposition to Communism, the Kremlin may fraudulently propose peaceful coexistence of the two systems and may encourage the West to hope for a settlement of outstanding issues by mutual agreement. In the vital area of Western Europe the Kremlin will almost certainly continue to press its "peace" campaign, to exploit the fear of war, to intimidate by display of force, to raise hopes of German unification, and to use the Communist Parties of France and Italy in an attempt to confound the political situation and obstruct effective government. Wherever elsewhere in the world non-Communist governments are weak, as in Iran, Indochina, and Burma, the Kremlin will almost

*Political warfare, as here used, includes all manner of political and economic pressure, diplomatic action in the UN and elsewhere, propaganda and front activities, Communist Party and Communist-controlled trade union activities, support of all kinds of revolutionary movements, and psychological warfare. [Footnote in the source text.]

certainly seek to strengthen the Communist position and, if favorable situations develop, will support Communist coups.

B. *Employment of Chinese Communist Forces*

12. The Kremlin might, during the period of this estimate, attempt to achieve some of its objectives by inducing the Chinese Communists to engage in additional military operations. Such operations would involve risk of general war between the US and the USSR, but the Kremlin might estimate that such operations could be so conducted that general war would not be precipitated.

13. *Indochina and Burma.* In particular, the Kremlin may estimate that a Chinese Communist invasion of Indochina or Burma would not involve a serious risk of general war and that such an invasion would facilitate a Communist advance throughout Southeast Asia and the consequent denial of the resources of that area to the free world. The Chinese Communists almost certainly have the capability for conquering Burma. We consider an invasion of Burma possible, but we do not believe it probable during the period of this estimate. The Chinese Communists are now capable of overrunning virtually all of northern Indochina, and we consider an invasion of Indochina possible at any time.

14. *Taiwan.* The Kremlin probably estimates that the Chinese Communists alone do not have the capabilities for a successful invasion of Taiwan so long as the US policy of employing US fleet units for the defense of Taiwan remains unchanged. Under existing circumstances, the Kremlin must realize that active Soviet participation in an attack on Taiwan would substantially increase the risk of general war without necessarily ensuring the success of the operation. We therefore believe it unlikely that the USSR, in prevailing circumstances, would either encourage or participate in a Chinese Communist attack on Taiwan.

15. *Hong Kong and Macao.* Chinese Communist seizure of Hong Kong and Macao probably would be militarily easy, but would presently entail political and economic disadvantages for the Communists. If present conditions continue, we believe it unlikely that forceful seizure of these ports will take place during the period of this estimate.

C. *Employment of European Satellite Forces*

16. The Kremlin might, during the period here considered, attempt to achieve some of its objectives through local military operations by European Satellite forces. However, the Kremlin probably estimates that, because of the more direct impact on NATO interests, such operations would involve greater risk of general war between the US and the USSR than similar local operations by Chinese Communist forces.

17. *Yugoslavia.* The Kremlin undoubtedly attaches great importance to regaining control of Yugoslavia. Yugoslavia is strategically important and is gradually developing close ties with the NATO powers. Titoism continues to be a potential menace to Soviet domination over the Satellites and over the world Communist movement. Satellite capabilities for launching an attack on Yugoslavia are steadily increasing. It is possible that the Kremlin regards the Yugoslav issue as of such importance as to warrant acceptance of the risks involved in a Satellite attack. However, in view of the increasing Western support of Yugoslavia, it is more probable that the Kremlin estimates that a Satellite attack would involve not only serious risk of war between the US or UN and the Satellites, but also the danger that such a conflict would develop into a general war between the US and the USSR. On balance, we believe a Satellite attack on Yugoslavia during the period of this estimate is possible, but not probable.

18. *Greece and Turkey.* Satellite capabilities for attack on Greece and particularly on Turkey are too limited for conquest of those countries. Furthermore, the Kremlin almost certainly realizes that an operation against either of these countries would probably entail US or UN intervention with the possibility of general war developing. We believe, therefore, that the USSR is unlikely to launch a Satellite attack on either Greece or Turkey during the period of this estimate.

19. *Berlin, West Germany, and Austria.* Satellite capabilities for military action against Allied forces in Berlin, West Germany, or Austria will probably remain so limited during the period here considered and the risk of general war involved in such action would be so great that the USSR is unlikely to launch a Satellite attack during this period.

D. *Employment of Soviet Forces*

20. The Kremlin must realize that commitment of major Soviet forces in any European Satellite or Chinese Communist operation would greatly increase the risk of general war between the US and the USSR. Wherever possible, therefore, the USSR would rely upon European Satellite or Chinese Communist forces for carrying out military operations against non-Communist areas. It undoubtedly would provide such forces with technical and logistical aid and might participate in rear area operations; if it considered the risk acceptable, it might even provide "volunteer" Soviet forces in the forward areas. Open Soviet military intervention, however, would be unlikely excepting in areas considered of great importance to the USSR and where Satellite forces are either unavailable or incapable of successful action.

21. *Greece and Turkey.* The Kremlin probably aims to secure control of Greece and Turkey in order to eliminate bases that could be

used for attack on the Soviet orbit and at the same time to secure bases from which the position of the free world in the Near East might be threatened. However, the available Satellite forces alone are probably not capable of conquering Greece and certainly not capable of conquering Turkey. Therefore, such operations could be accomplished only with the active participation of Soviet forces. The Kremlin probably estimates that the US and UN almost certainly would come to the support of Greece and Turkey and that in those circumstances a general war between the US and the USSR would probably result. An attack on Greece or Turkey is therefore unlikely during the period of this estimate.

22. *Iran.* Of the areas where only Soviet forces are available for immediate employment, Iran is unstable and important. Soviet control of Iran would eliminate a potential base for hostile action against the USSR, would deprive the West of a vast oil supply, and would facilitate the subversion or conquest of the Near and Middle East. However, the Kremlin probably estimates that the political and economic instability and the widespread anti-British feeling offer good prospects of increasing Communist influence and eventually of establishing Communist control without direct Soviet intervention. Under these circumstances we believe it unlikely that the Kremlin would consider it necessary to incur the risk of war with the Western Powers involved in Soviet military intervention. But if the British should use military force in their dispute with Iran, the Kremlin might then invoke the 1921 treaty and occupy at least northern Iran, estimating that it could do so with relatively little risk of general war.

E. *Employment of Soviet Forces Against US Forces*

23. The Kremlin almost certainly estimates that overt and recognized commitment of Soviet forces against US forces in any area would involve not only a local war with the US, in which the US might well use atomic weapons, but also the strong probability of general war with the US, including a US strategic atomic attack on the USSR. Unless, therefore, the Kremlin had decided to accept general war with the US, we believe a Soviet attack on West Germany, Berlin, Austria, or Japan would be most unlikely during the period of this estimate.

24. If the Korean conflict continues or is renewed after a cease fire, the Kremlin will probably continue to aid the Communists in ways which the Kremlin estimates would not involve serious danger of a break between the USSR and US/UN. If, however, the Communist forces in Korea were threatened with decisive defeat, the Kremlin would probably intensify its aid. This aid might well include the introduction of "volunteer" forces. It might even include the employment of Soviet forces to such an extent that a *de facto* local war between the US/UN and the USSR would exist. At every stage the

Kremlin will probably endeavor to keep open the possibility of ending the Korean conflict by political negotiation if the global interests of the USSR would be served by disengagement in Korea.

IV. *Possibility of General War*

25. Consideration of the degree of probability of Soviet military action in specific areas must be related to over-all Soviet strategy and policy. If the Kremlin should decide to precipitate or to accept general war, it might launch an attack in any area at any time and in any form as a prelude to such general war. Soviet forces are in an advanced state of war-readiness and could initiate general war at any time with little or no warning. The danger of general war exists now and will continue to exist so long as the USSR is in a position to take action which threatens, wholly or in part, the vital interests of the Western Powers.

26. We believe that the most important immediate objectives of the Kremlin are to divide the West and to halt Western, West German, and Japanese rearmament. If the Kremlin should fail to make sufficient progress toward that end by methods short of general war and if in addition it should become convinced that its superiority in conventional forces were about to be offset (whether through NATO and West German or Japanese rearmament or through Western advances in unconventional armaments), we believe the Kremlin would consider the advisability of precipitating general war. We believe it unlikely that the Kremlin would adopt this course of action so long as Western rearmament appeared to it only as a transitory impediment to further Soviet and Satellite expansion. On the other hand, if the Kremlin were to conclude that this rearmament threatened the vital interests of the USSR, we believe: (a) if it estimated that the USSR had sufficient means to wage war successfully and that the delay would tip the scales of power irretrievably against the USSR, the Kremlin would precipitate general war; but (b) if it estimated it did not have sufficient means to wage war successfully, the Kremlin would modify its policy and attempt to relax international tension until such time as the Western Powers relaxed their vigilance or other factors favorable to the USSR supervened. It is possible, however, that the USSR might precipitate war even under adverse circumstances if it considered the threat to its vital interests sufficiently real and immediate.

27. We do not believe that during the period of this estimate the Kremlin is likely to conclude that US, NATO, West German, and Japanese rearmament constitutes an immediate threat to the vital interests of the USSR. It is possible, however, that the Kremlin may at any time conclude that the Western rearmament program constitutes an eventual but already unacceptable threat to its vital interests,

or that the Kremlin may at any time misinterpret Western defensive measures as indicating an imminent attack on the USSR.

28. There is, moreover, a serious possibility of general war developing within the period of this estimate from an action or series of actions not intended to produce that result. The Kremlin might, for example, miscalculate the degree of risk involved in a particular action or underestimate the cumulative effect of several actions. Or, it might regard a particular action as so necessary or so advantageous as to warrant assuming even a serious risk of general war.

29. We recognize the desirability and the importance of concluding this estimate with a simple and direct statement of the likelihood or unlikelihood that the Kremlin will deliberately precipitate or provoke general war between the US and the USSR during the period here covered. Existing intelligence does not enable us to make such a precise forecast. The USSR has the capability to launch general war and may decide to precipitate general war. Moreover, the international situation is so tense that at any time some issue might develop to a point beyond control.†

†It is the view of the Director of Naval Intelligence, with respect to Section IV above, that the final paragraph of this estimate should read as follows:

"It is recognized that precise information on enemy intentions is rarely available and that enemy counteraction cannot be accurately predicted. However, all aspects of the Soviet problem considered, we believe it unlikely that the USSR will deliberately choose to precipitate or undergo the hazards of general war during the period covered by this estimate. Although the possibility of war by miscalculation cannot be discounted during periods of high international tension, we believe that in pursuing various courses of action short of war with the US, the USSR will seek to increase its power and damage the interests of the US whenever and wherever feasible, but will at every turn attempt to exploit each course of action with such caution as to avoid direct military aggression against the vital interests of the United States." [Footnote in the source text.]

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S/S–NSC Files, Lot 63 D 351, NSC 114 Series

*Report to the President by the National Security Council*

TOP SECRET
NSC 114/1

WASHINGTON, August 8, 1951.

## STATUS AND TIMING OF CURRENT U.S. PROGRAMS FOR NATIONAL SECURITY

### NOTE BY THE EXECUTIVE SECRETARY

References: A. Memo for NSC from Executive Secretary, subject, "United States Objectives and Programs for National Security", dated July 12, 1951 [1]

[1] *Ante*, p. 101.

B. NSC 68 Series [2]
C. NSC 114 and Annexes to NSC 114 [3]
D. NSC Actions Nos. 487-*a* and 518 [4]
E. Three Memos for NSC from Executive Secretary, same subject, dated July 31, 1951 [5]
F. Memo for all holders of NSC 114 and Annexes to NSC 114 from Executive Secretary, dated July 31, 1951 [6]
G. Memo for NSC from Executive Secretary, same subject, dated August 6, 1951 [7]

At the 99th meeting,[8] with the President presiding, the National Security Council, the Secretary of the Treasury, the Deputy Attorney General, the Secretary of Commerce, the Director of Defense Mobilization, the Economic Cooperation Administrator, the Federal Civil Defense Administrator, the Director, Bureau of the Budget, and the Chairman, Council of Economic Advisers considered a draft report on the subject (Reference G) and adopted it subject to corrections in paragraph 18 *a* and paragraph 55 proposed by the Department of Defense. The report, as corrected and adopted, is contained in the enclosure.

Also enclosed for information in this connection is Appendix A, "Changes in the World Situation Since the Completion of NSC 68/4." Eight related annexes, prepared by the respective departments and

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[2] For reports in the NSC 68 Series and related material, see *Foreign Relations*, 1950, vol. I, pp. 126 ff.

[3] Draft report NSC 114, "Status and Timing of Current U.S. Programs for National Security," and its annexes, July 27, 1951, are not printed.

[4] In Action No. 487*a*, June 6, the National Security Council directed the Senior Staff to prepare the reports recommended on June 1 in paragraphs *a*(1) and (2) on p. 88. In Action No. 518, August 1, the Council noted the President's approval of the request of the Acting Secretary of Defense that consideration of NSC 114 be deferred for one week. The NSC referred the report back to the Senior Staff for preparation of a revised report in the light of any revisions suggested by the Department of Defense or other departments and agencies, for consideration at the 99th Meeting of the NSC, August 8. (S/S–NSC Files, Lot 66 D 95, NSC Actions)

[5] None printed.

[6] Not printed.

[7] In this memorandum, not printed, the Executive Secretary circulated the revised draft report, which, with the minor corrections cited below, became the body of NSC 114/1. (S/S–NSC Files, Lot 63 D 351)

[8] August 8.

agencies indicated in each annex, are being circulated under separate cover for information in connection with the enclosed report.[9]

The National Security Council, the Secretary of the Treasury, the Attorney General, the Secretary of Commerce, the Director of Defense Mobilization, the Economic Cooperation Administrator, the Federal Civil Defense Administrator, the Director, Bureau of the Budget, and the Chairman, Council of Economic Advisers, submit the enclosed preliminary report to the President for his consideration with the recommendation that he note it and the annexes thereto as indicative of the status of the present programs, approve the "Conclusions" contained in Part III of the report, and direct their implementation by all appropriate executive departments and agencies of the United States Government.

JAMES S. LAY, JR.

[Enclosure]

## PRELIMINARY REPORT BY THE NATIONAL SECURITY COUNCIL ON STATUS AND TIMING OF CURRENT U.S. PROGRAMS FOR NATIONAL SECURITY

### PART I—CHANGES IN THE WORLD SITUATION SINCE THE COMPLETION OF NSC 68[10]

1. As anticipated in NSC 68 (April 1950), the Soviet rulers have continued in relentless pursuit of the Kremlin design. In Korea they have demonstrated a willingness to take actions which involve grave risk of precipitating global war. Such risk-taking appears to be closely calculated; the USSR has exercised considerable care and restraint to avoid open and direct involvement. Nevertheless, the Kremlin's

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[9] The annexes to NSC 114/1, circulated as one document dated August 8, consisted of the following:

Annex No. 1—The Military and Mobilization Programs (Prepared by the Department of Defense and the Office of Defense Mobilization.)

Annex No. 2—Foreign Military and Economic Assistance (Prepared by the Committee on International Security Affairs.)

Annex No. 3—The Civilian Defense Program (Prepared by the Federal Civil Defense Administration.)

Annex No. 4—The Stockpiling Program (Prepared by the Department of Defense and the Office of Defense Mobilization.)

Annex No. 5—The Information Program (Prepared by the Department of State.)

Annex No. 6—Foreign Intelligence and Related Activities (Prepared by the Central Intelligence Agency.)

Annex No. 7—Internal Security (Prepared by the Interdepartmental Committee on Internal Security and Interdepartmental Intelligence Conference.)

Annex No. 8—General Economic Considerations (Prepared by the Council of Economic Advisers.)

Annexes, 1, 3, 4, 6, 7, and 8 are not printed. Annex 2 is printed on p. 360. For the text of Annex 5, see p. 923.

[10] NSC 68, a report on "U.S. Objectives and Programs for National Security," April 14, 1950, is printed in *Foreign Relations*, 1950, vol. I, p. 234.

willingness to accept such risk has been greater than was foreseen in NSC 68.

2. Since April, 1950 the USSR has intensified its deliberate and systematic campaign to prepare the Russian people psychologically for possible war with the United States. A similar campaign is being carried out in the European satellites and China.

3. The USSR is militarily substantially stronger than it was in April, 1950. Furthermore, the increase in military strength-in-being of the Eastern European satellites since April, 1950 has been large, and alone probably offsets the increases which have been achieved in Western Europe. The Chinese communist regime has considerable military capabilities at its disposal, has undertaken military action in the Soviet interest, and thus far, at least, has made progress in consolidating its control in China. Evidence from various sources during the past year shows that Soviet military production is of high quality—and of higher quality than had previously been estimated. The ability of the USSR to develop large military capabilities where none existed a few years ago, as in North Korea, has been shown in the Korean war and this has required a revision of earlier judgments regarding satellite military potentials. On all these counts, NSC 68 presented a prospect which was more favorable for the United States than now appears to have been warranted.

4. Nothing has occurred within the Soviet empire which requires a revision of earlier judgments that the regime is capable of maintaining its control over the Russian people and its satellites.

5. Notably in Korea, and elsewhere as in Iran and the Balkans situations have developed which could more easily issue in general war by accident or miscalculation than was foreseen fifteen months ago.

6. As anticipated in NSC 68, the Kremlin regards most seriously the prospect of United States and Western rearmament generally. It is highly sensitive to German and Japanese rearmament and the establishment of American bases overseas. Its principal immediate purpose is to frustrate these programs. Its presently indicated course of action to that end is to exploit all opportunities to split the Western Allies, particularly the United States and the United Kingdom, and to conduct a specious peace campaign designed to exploit both fear of a new general war and reluctance to make the sacrifices necessary to redress the balance of power. There is a serious danger, which may become acute if a cease-fire in Korea is agreed to, that by such wiles the USSR may yet lull the free world into a false sense of security, with adverse effect upon both its military posture and its political cohesion. If, however, the United States demonstrates determination and progress in meeting its commitments to build the strength of the free world to the level at which it can deter or defeat Soviet aggression, and if Soviet conciliation is seen to present no real

assurances of peace and security, it is likely that the alignment of the West can be maintained and its strength further developed.

7. If and when it becomes apparent to the Kremlin that the Western alliance and projected rearmament cannot be disrupted and frustrated by political and psychological means, the danger of Soviet preventive action will become acute.

8. The free world has made important progress in organizing itself to meet the Soviet threat. UN action to counter Communist aggression in Korea, the development of NATO, progress with respect to the Schuman and Pleven plans, the successful conference of American foreign ministers, progress on the Japanese peace treaty and on Pacific security arrangements, all indicate in some degree a developing cohesion and awareness of common peril. This progress is impressive in relation to normal expectation, but has been slow and unsatisfying in relation to the abnormal exigencies of the situation. The United States and its allies have moved less rapidly than envisaged in NSC 68/4[11] toward exploiting their vastly superior economic potential to improve their over-all power position vis-à-vis the Soviet system. NATO planning has yet to be translated into effective military strength in being. Tangible support for the UN cause in Korea has left much to be desired. In general, Far Eastern issues have tended to divide the free world. Moreover, the situation in Iran and the Arab states has deteriorated beyond all expectation.

9. The level of military production in the United States is not currently meeting the military readiness targets indicated in NSC 68/4, which moved forward the military readiness level contemplated for July 1, 1954, to July 1, 1952. The detailed matériel programs developed subsequent to the approval of force levels on December 14, 1950, were finally approved when the military budget for FY 1952 was approved on April 19, 1951. In the interim, however, available funds were used to expand the production base and to get long lead time items into production on an expanded basis. The flow of military assistance to allied countries has lagged behind the targets contemplated in NSC 68/4, in part because of the matériel requirements needed to support United Nations forces in Korea. The level of military production in Western Europe has been inadequate to support the objectives of our economic and military assistance programs. In the earlier phases of our build-up, the output of military equipment has been a more serious limitation on the building of military strength than the first drafts upon our manpower resources. The limitation on the availability of military equipment stems from such as the following: the recent date of final approval of the detailed matériel programs; the practical problem of reducing long lead time required

[11] NSC 68/4, a report on "U.S. Objectives and Programs for National Security," December 14, 1950, is printed in *Foreign Relations*, 1950, vol. I, p. 467.

for military equipment such as tanks, aircraft, ships, tactical radio, motorized equipment, and heavy construction items; delay in administrative actions which could have made tools and facilities available at an earlier date; organizational problems in production facilities; the decision to expand the production base and concurrently to secure delivery of end items; as well as a psychological situation less favorable than that existing at the time of adoption of NSC 68/4.

10. The estimates of Soviet atomic capabilities contained in NSC 68 have been revised upwards. It is now estimated that the USSR will have in mid-1953 the atomic stockpile formerly estimated for mid-1954. The date when a surprise attack on the United States might yield decisive results is correspondingly advanced.

11. Although a thorough examination of the subject is not now available, the strength-in-being of the United States and its allies has probably increased in absolute terms less than that of the Soviet system since April 1950. The mobilization effort of the United States and its allies has brought them closer to the actualization of their potential than in April 1950. The date at which this mobilization effort will enable them to achieve the capability of supporting the objectives outlined in NSC 68 is still some time off, certainly later than was expected when the NSC 68/4 programs were developed. The question of comparative capabilities and the rates of increase in capabilities is of such importance that a careful assessment should be obtained as rapidly as possible.

12. Review of the world situation shows that the danger to our security is greater now than it was in April 1950. It is greater now than it was then thought it would now be. Fifteen months ago 1954 was regarded as the time of maximum danger. It now appears that we are already in a period of acute danger which will continue until the United States and its allies achieve an adequate position of strength.

## PART II—CURRENT PROGRAMS FOR NATIONAL SECURITY

### *The Military Program*

13. The military program contained in the enclosure to a Memorandum for the National Security Council from the Executive Secretary, subject, "United States Objectives and Programs for National Security," dated December 14, 1950,[12] with certain augmentations is the present target program. This program is set out in detail in Annex No. 1. This program is explicit with respect to military personnel strength and units; it is not explicit with respect to matériel objectives, outlining them broadly by implication in terms of active forces, tasks to be supported, and establishment of a mobilization base

[12] Reference is to NSC 68/4.

capable of rapid expansion. The Department of Defense FY 1952 procurement objective was evolved for the purpose of defining the matériel and mobilization base objectives and was finally approved by the President on April 19, 1951. This objective was to have on hand by June 30, 1952, or as soon thereafter as they could be produced, sufficient major end-items of material to meet the following requirements:

*a.* Training consumption through FY 1952 and Korean combat consumption through December 31, 1951.

*b.* Full modern equipment for the active forces.

*c.* Necessary training equipment for civilian components up to 50% of the amount authorized the active forces. This will be partly modern type equipment except that 11 wings of the Air National Guard and 50 Naval Air Reserve Squadrons are to have all modern aircraft.

*d.* Except for aircraft, stock levels and war reserves equal to from 3½ to 6 months (dependent upon the item) combat consumption of the augmented forces to be in combat one year after the start of an "all out" war together with 6 months training requirements of all units to be mobilized and in training by that date.

It is also planned that in the production of equipment according to the above criteria, production capacity will be established sufficient to be readily expanded, if necessary, to support combat operations and mobilization requirements if hostilities should break out on a total basis on or after June 30, 1952.

The Department of Defense program further contemplates that, subject to further changes in force levels, the procurement program after FY 1952 shall be sufficient to complete any of the above objectives which could not be completed by that date due to limitation of productive capacity, and, where the above objectives have been attained, further procurement for war reserves and continued peacetime usage will be at the minimum level necessary to keep such expanded capacity in operation and available for rapid expansion to mobilization requirement. It is further contemplated that in carrying out the production program maximum utilization will be made of machine tool reserves without replacement.

14. The military personnel strength and units fixed on December 14, 1950, have been increased as shown in Annex 1. These strength and unit targets as thus increased will be met by June 30, 1952.

15. *a.* At the time of approval of NSC 68/4 on December 14, 1950, it was recognized that the requirements for war reserves of certain long lead time matériel and equipment, originally contemplated for delivery by June 30, 1954, could not be attained by June 30, 1952. Furthermore, the sharp increases in the production program as a whole, which would have been involved in meeting the specific matériel objectives implied by the interim force goals set in NSC 68/4 as subsequently increased, would have led to a peaking of production across

the board followed by a sharp curtailment of the production flow. After consideration of these opposing factors and of production limitations, procurement objectives for the initial accumulation of war reserves were fixed on April 19, 1951. In order best to achieve the production objective the Department of Defense is currently reviewing planned production schedules in line with the President's statement of April 27, 1951. This review is under way with a target date for completion of September 1951.

*b.* As to requirements for an adequate base of command facilities (e.g., training and communications facilities, troop housing, etc.) for mobilization, no specific objectives to be reached by June 30, 1952 were established on December 14, 1950. While such requirements could have been met by June 30, 1952, it was decided that the rate of their establishment should be in phase with the remainder of the military program. Specific objectives for military construction were set on April 19, 1951, to accommodate the forces to be raised and equipped by June 30, 1952. Provided the appropriations requested to cover these objectives are made available by Congress in time, and if the required structural steel is furnished, these construction objectives will be met on June 30, 1952. Subject to adequate and timely funding, command facilities to launch a full mobilization could be created in the period of approximately 12 months.

*c.* As to the requirement for reserve productive capacity the Department of Defense FY 1952 procurement objective sets forth a general statement of the policy to be followed. It is not possible to make any worthwhile generalization as to the implementation of this policy. In the case of each type of end-item, the decision as to the relative importance of reserve production capacity, maintenance of a flow of production indefinitely, obtaining requirements at an early date, as well as many other factors, is different, and produces a different result as to the size of the reserve production capacity for that item.

16. There will be a wide variation among end-item programs in the dates at which the Services complete the equipment and modernization of approved active forces and get a start on the accumulation of a minimum level of war reserves. A review of major Army, Navy and Air Force programs leads to the following conclusions, based on the assumptions that there are no further slippages in production schedules, that adequate funds, materials, and facilities are available, that prices remain stable, and that Korean operations will cease in the very near future:

*a. For the Army:*

(1) The units, with minor exceptions, and the personnel strength to support these units, as increased since December 14, 1950, have been activated and are now in being and by June 30, 1952—*as to initial equipment*—will be fully equipped and substantially but not fully modernized.

(2) Troop facilities will be sufficient by June 30, 1952 to support these forces, but will be inadequate to support mobilization and deployment of forces to certain overseas areas.

(3) Present estimates indicate that under the assumptions stated above, the Army can, in the event of global war, sustain combat operations at the planned level early in the calendar year 1953. On the other hand, if all the foregoing conditions are met, except that with reference to the Korean operations, the continuance of those operations until the end of calendar year 1951 will delay Army readiness for global war until late in calendar year 1953.

*b. For the Navy:*

The build-up toward total personnel and combat units is proceeding substantially on schedule. The approved end FY 1952 active forces will be in place and operational by July 1, 1952. However, modernization of equipment of the active forces and the accumulation of a minimum level of war reserves will not be completed in all cases until calendar years 1953 and 1954, with dates varying widely for individual items.

For Naval Aviation combat forces, the degree of modernization that would be achieved with funds now requested, in accordance with the Munitions Board "Combined Aircraft Working Schedule" (A–14) is as follows:

| | *Date equipped with late model (if funds are available)* | *Percent to be equipped with late model by December 31, 1953 (with funds now requested)* | *Percent to be equipped with late model by June 30, 1952* |
|---|---|---|---|
| Fighters (VF) | 1 June 1954 | 77.3% | 29.5% |
| Attack (VA) | 1 Aug 1954 | 73.9%* | 79.0%* |
| Carrier Anti-Submarine (VS) | 1 Apr 1954 | 85.8% | 69.0% |
| Patrol Anti-Submarine (VP) | 1 Dec 1953 | 96.3%† | 31.1% |
| Helicopters (HS) | 1 Dec 1953 | 91.1%‡ | 10.6% |

A delivery after December 1953 of the remainder of the aircraft required to modernize the active forces and one-third of the Organized Reserve Units is contingent upon decision to finance the remainder of the program. This decision was deferred during the FY 1952 budgetary review process until October–November 1951.

Full accomplishment of the presently approved ships conversion and construction program will extend into calendar year 1954 as originally scheduled, in view of the inevitable long lead time of items

*Conversion to turbo-jet model between June 30, 1952 and December 31, 1953 accounts for decrease in percent modernization at the later date. [Footnote in the source text.]

†While funds for 100% had been requested by the Navy, a reduction of 45 VP planes was made by the Bureau of the Budget. If the funds for these planes were provided, 100% completion could be reached by December 1, 1953. [Footnote in the source text.]

‡Subsequent to the presentation of the budget, the HS program was increased. As of December 31, 1953, the funds now requested cover the % indicated. If additional money were made available, 100% could be reached by December 1. This amounts to less than 20 HS and envisages an increased production rate. [Footnote in the source text.]

of this nature. Current progress as judged by preliminary schedules indicates an average slippage of about three months. Thus those portions of these programs scheduled for completion in the fourth quarter of FY 1952 will be completed in the first quarter of FY 1953. With complete budgetary and controlled material support it is expected that those portions of the programs scheduled for 1953 and 1954 can be completed as planned.

*c. For the Air Force:*

The 95-Wing Program will be substantially in being by June 30, 1952, although at that time the initial requirements of certain types of equipment will not be fully supplied with what are presently considered first-line aircraft. It is impossible to set one date by which all Air Force units of any strength can be completely modernized since improved versions of various aircraft models come into production at different dates. The following are the dates by which all 95 wings of the Air Force's current program will be "modernized" in the sense of being substantially 100% equipped with late model aircraft; most of the wings will be capable of fulfilling their missions well in advance of those dates:

| *Aircraft Type* | *Date equipped with late model* | *Percentage to be equipped with late model by June 30, 1952* |
|---|---|---|
| Heavy Bomber§ | June 1953 | 72% |
| Medium Bomber | September 1953 | 52% |
| Tanker for Medium Bombers‖ | June 1954 | 20% |
| Light Bomber | September 1953 | 31% |
| Fighter Bomber | March 1953 | 62% |
| Fighter Interceptor | December 1952 | 77% |
| Troop Carrier and MATS | September 1953 | 46% |
| Trainers¶ | December 1952 | 62% |

Eleven of the twenty-seven Air National Guard wings, programmed for modernization, will be equipped with modern aircraft by March 1953.

The combat reserve aircraft in the relatively small numbers included in this program will be available by December 1953 except for the medium bomber portion, which will be available in calendar year 1954.

17. For certain segments of the munitions program, it was never contemplated that the target dates established in the NSC 68 Series would be met. In the case of aircraft, it was always recognized that, in view of the necessity of organizing a whole new group of industries, it would be physically impossible to meet the mid-1952 target dates for the large number of aircraft of the specified types involved. This is also true of certain long lead time items for both the Army and

§Acceleration of B–47 production above that in the A–14 schedule is a resultant of Air Force action since June 1, 1951. [Footnote in the source text.]

‖In interim B–29 Tankers will be used to make up any deficit. [Footnote in the source text.]

¶Advanced Multi-Engine—February 1954. [Footnote in the source text].

Navy. For many other end-items, including segments of the tank-automotive program, the attainment of the required volume of production by mid-1952 was never scheduled since this would be incompatible with establishment of a broad mobilization base by the same date.

18. However, output has fallen below estimated production for many important end-items. This condition is accounted for by a number of factors:

*a.* The shortage of machine tools has been a major factor in the inability of all three Services to reach desired production objectives. The necessary expansion of tool facilities has not been proceeding at a sufficiently rapid rate. Recent action by the Office of Defense Mobilization to remove price and material bottlenecks should improve this situation.

*b.* Design delays and changes and engineering difficulties as, for example, in the aircraft and electronics field, have contributed to "slippage." Steps already taken by the Air Force to restrict design changes to a minimum should improve this situation in the aircraft field.

*c.* Although there has been no over-all shortage in basic materials for particular items, lead times have measurably increased due to difficulties in the effective distribution of critical materials to munitions production. The imposition of Controlled Materials Plan (CMP) should improve this situation as noted hereafter.

*d.* Additional factors accounting for "slippage" in recent months are set forth in Annex 1.

19. Substantial improvements in these problem areas will require, in addition to the specific solutions mentioned above, the concerted effort of all agencies involved, backed by strong public support engendered by a sense of national urgency that has heretofore been lacking, and backed by timely and adequate financing.

20. In general, the military services met their military personnel objectives for June 30, 1951 and expect to meet the target for June 30, 1952. The military strength on June 30, 1951 was 3,252,000. Due to the extremely limited mobilization base of the Air Force with respect to housing and troop facilities, it has been necessary to control very carefully the personnel input. Inadequate troop housing and a drop in voluntary recruiting during April and May necessitated readjustment in the manning program which, in turn, resulted in a deficient FY 1951 end strength amounting to approximately 62,000 (7%). Providing funds contained in the Public Works Bill now before Congress and necessary construction materials are made available without undue delay, this deficiency can be made up and the manning objective of 1,061,000 can be attained by June 30, 1952.

21. The approved FY 1952 military strengths are listed below. They are subject to revision to meet increased force requirements and, as a result, the status of the manpower pool may change.

| | |
|---|---|
| Army | 1,550,000 |
| Navy | 805,000 |
| Marine Corps | 204,029 |
| Air Force | 1,061,000 |
| Total | 3,620,029 |

[Army figures exclude West Point cadets; Navy figures exclude officer candidates.] [13]

This will require a gross input of 1,554,000 men during the year, of this number the significant elements are 376,000 to build up to authorized strength and about 400,000 to provide for the release of Reserve and National Guard personnel now on active duty. 413,000 of the total input will be through induction.

22. The manpower pool, adjusted for the changes made by the Universal Military Training and Service Act of 1951, is estimated as 850,000 on July 1, 1951. Gains to the pool are expected to be 549,000 with losses of 838,000 through enlistment, induction and recall of reserves. The pool at the end of FY 1952 is therefore estimated as 561,000. The status of the manpower pool, under existing selective service legislation, is shown by the following table:

*Status of Manpower Pool at Beginning of Each Fiscal Year To Support Military Force of 3.6 million*

| *Entering Position* | *Conservative Estimate* | *Optimistic Estimate* |
|---|---|---|
| 1952 | 850,000 | 950,000 |
| 1953 | 561,000 | 661,000 |
| 1954 | 414,000 | 514,000 |
| 1955 | 384,000 | 484,000 |
| 1956 | 273,000 | 373,000 |

*Note:* The Director of Selective Service recommends that the minimum level of the Selective Service Pool be fixed at 300,000. The Department of Defense believes this figure is too high.

23. The command facilities now on hand and which will be provided by the Public Works Bill now before Congress are sufficient only through FY 1952 for the military strengths planned for July 1, 1952, but are inadequate for mobilization and deployment of forces to certain overseas areas.

*The Mobilization Program*

24. The application of the Controlled Materials Plan (CMP) to the distribution of steel, copper and aluminum, in place of the priorities system in effect up to June 30, 1951, should assure to the munitions production and facilities programs the materials needed. For CMP to succeed the greatest care must be taken to avoid excessive issuance of CMP authorizations, especially for materials for non-

[13] Brackets appear in the source text.

military production and construction projects, and particularly to limit drastically the use of overriding directives. This is a matter of the utmost importance. In addition, and of equal importance, the initial military programs must be assured the necessary civilian-type components (so-called "B products"). In certain cases, however, it is becoming evident that difficulties will be encountered in maintaining both a large defense program and high levels of civilian output. A notable case is copper, where the supply is considerably less than was expected a year ago. Under these circumstances it has been necessary to reduce automobile production, for example, for the fourth quarter of 1951 to 60% of the first half of 1950 in order to provide the copper required for defense. A number of alloying metals important to the defense program have been placed under full allocation. The operation of CMP, placing as it does a high premium on proper production scheduling, is expected to ease considerably the tight supply situation in component parts and materials not directly included in the plan.

25. The cutback in the amount of materials permitted in the production of passenger cars has brought, in the Detroit area, the first significant unemployment directly traceable to the mobilization program. As in the case of other areas where cutbacks in civilian production may be necessary, defense contracts may be expected to ease the transition.

26. The essential controls for stabilization of the economy have been set up, and together with high levels of civilian production have reversed, at least temporarily, the inflation which accompanied the early stages of mobilization. Many of the controls, dating, as some do, from last September, are based on substantially higher security programs, and further substantial slippages in these programs may warrant a review of some elements of the program. For the intelligent management of the mobilization program it is important that FY 1952 production schedules be made fully realistic immediately and that firm schedules for 1953 be available as soon as possible.

27. To deal with the longer run problems of stabilization and materials supply, there is being developed an industrial expansion program of very large proportions. Present plans call, during the next two or three years, for a 100% increase over existing capacity in primary aluminum capacity, a 13% increase in steel capacity, a 14% increase in petroleum supply and an ambitious program for locating and developing domestic sources of a wide variety of materials. Attendant increases in transportation and electric power and other areas of the economy are also under way in order to support higher levels of defense production without cutting back to emergency levels of civilian goods production. Many of these projects, however, require the same scarce materials and components as needed in munitions production and generally in consumers durable goods output, with defense output having first call on resources. The speed with which these ex-

pansion projects can be carried forward will be determined largely by the speed with which munitions output rises and the degree to which it is felt practicable to reduce civilian output in this period.

28. Even less than when the original NSC 68 programs were prepared is there reason for concern that the economy cannot, without serious hardship, carry a load of the magnitude represented by these programs. In general, the economy has responded well to the stimulus of the defense program. Additions to the labor force have been greater than hoped for and over-all production is higher than expected. Considerable ingenuity in the use of substitute materials has already been evidenced. Particularly in view of the additional aluminum and steel capacity expected to be available next year, there can be no doubt of the ability of the economy to support a level of military production somewhat higher than that projected in the NSC 68 programs together with civilian consumption levels comparable with those prevailing in the period 1947–1949.

*Foreign Military and Economic Assistance*

29. No development in the world situation is considered to have diminished the importance or urgency of completing the foreign economic and military assistance programs by the target dates outlined in Annex 2 of NSC 68/3.[14]

*a.* With respect to the European NAT countries, the Medium Term Defense Plan (MTDP) continues to be the basis for programming military and related economic assistance.

*b.* Prompt and adequate measures need to be taken to arrest the general deterioration of the situation in the Near East, particularly in Iran, the Arab States and Israel.[15]

*c.* In the Far East the United States aid programs together with the struggle against aggression in Korea have played an important part in stemming the tide of Russian-inspired subversion and conquest; but much remains to be done and it is too early to predict that the favorable developments will continue.

30. United States end-item assistance already programmed through FY 1952 to meet requirements of the MTDP totals about $10 billion and is related primarily to the unit equipment requirements for forces to be available by July 1, 1952.

*a.* Deliveries of equipment, for many reasons, have been slow but are now accelerating; and deliveries of Army equipment financed with FY 1950 and 1951 appropriations, are expected to be completed by June 1952.

*b.* The FY 1952 program includes about $1.0 billion to meet the military equipment requirements of the non-NATO countries. Deliveries

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[14] Annex 2 (Foreign Military and Economic Assistance Programs) of NSC 68/3, December 8, 1950, is printed in *Foreign Relations*, 1950, vol. I, p. 433.

[15] For documentation on the dispute between Israel and the Arab States, see volume V.

to these countries, with the exception of Indochina, are slow due to the shortage of matériel in relation to global commitments.

*c.* In FY 1951, $1.23 billion of direct economic aid was allotted to the European NATO countries, while their military efforts totaled $6.0 billion dollars; and for FY 1952, $.86 billion of direct economic aid has been requested to be used primarily to support a $9.0 billion military effort by the European NATO countries. About $712 million is proposed to be furnished in FY 1952 to other European countries, including Yugoslavia, which are not members of NATO.

*d.* Other economic aid programs for the non-European countries total about $600 million in FY 1952; and the major portion of these funds will be directly applied to strengthening the capabilities of these countries to resist internal and external aggression.

31. The primary difficulties being encountered in completing programs include:

*a.* Insufficient political cohesion and resoluteness on the part of many governments to take the necessary measures constitute a serious barrier to realizing in full the objectives of our economic and military assistance programs. In Europe, these factors are reflected in the caution with which defense expenditures are being undertaken; while in many non-European countries, they enfeeble efforts to improve the internal security situation and to execute programs of economic improvement.

*b.* In continental Europe, a significant difficulty in completing the MTDP in successive annual installments arises from the inadequacy of the efforts of these countries to increase their military equipment production. Munitions production capacity is available; but financing is not available in sufficient amounts. The ISAC [16] considers this problem one of the most urgent facing it.

*c.* The volume and rate of military equipment deliveries from the United States have been below expectations and still further below the level of essential requirements. As a result, the incentives to raise the forces on schedule are being weakened. Recently established targets, however, call for deliveries of the FY 1952 program by December 31, 1952, with the exception of certain aircraft and other items requiring long periods of production. The ability to hold these delivery schedules depends greatly on the trend of defense production in the United States and on the absence of new competing requirements of higher priority.

*d.* In the non-European areas, shortages of United States trained personnel, as well as export goods, are becoming acute and are inhibiting the rate of program accomplishment.

32. As to adequacy and timing of our foreign military and economic assistance programs, the judgments which emerge from a preliminary

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[16] For documentation on the operations of the International Security Affairs Committee, see pp. 266 ff.

re-examination of present objectives and programs of United States foreign economic and military assistance, initially outlined in NSC 68/4 and Annex 2 of NSC 68/3, indicate that:

*a.* The central issue concerns the position which the United States should take toward the accomplishment by the target date of the North Atlantic Treaty Medium Term Defense Plan.

(1) Recent study by the United States of the cost of the MTDP indicates that the plan, if carried out as scheduled, together with non-NATO military costs of the European NATO countries, would involve a total cost over the four years from mid-1950 to mid-1954 of approximately $72 billion, divided into $40 billion of major matériel requirements and $32 billion of other costs. These estimates include costs of German participation and exclude costs of United States and Canadian troops that would be included in the MTDP forces under Joint Chiefs of Staff plans. These recent estimates show a significantly higher cost than did the study contained in NSC 68/3.

(2) Total United States assistance for FY 1953 and 1954, even if provided at the annual rate requested of the Congress for FY 1952, would, together with any present reasonable expectation of European defense efforts, leave a substantial deficiency in the completion of the MTDP requirements.

(3) If the over-riding objective is the military build-up of the size and by the dates contained in the MTDP, the United States should be prepared to furnish assistance after FY 1952 in an amount whose outside limit can now be estimated at about $25 billion. Until the re-examination of the MTDP, now under way, has proceeded further no estimate can be given of the extent to which adjustments and economies in that plan may reduce the size of the deficiency. To the extent that adjustments in the military plan permit cost reductions or extended target periods, this amount can be less; to the extent that European morale and political cohesion improve, it may also be less. Nevertheless, it is probable that the United States assistance will be required during FY 1953 and 1954 at an average annual rate greater than that requested of the Congress for FY 1952 if the program is to be substantially accomplished on schedule. Moreover, the bulk of the funds should be obligated during FY 1953 in order to permit the necessary flow of deliveries in 1953 and 1954. Therefore, the funds required to be obligated by the end of FY 1953 would be substantially larger than the appropriations requested for FY 1952.

*b.* Little scope is available either for significant reductions in the magnitude or for postponing the target dates of our aid programs to the non-European countries. Economic and military assistance requirements for the non-European countries, while substantial in the aggregate, approach the minimums in terms of both magnitude and timing which are needed to arrest deterioration in the situation, particularly in the Near East, and, in the cases of Asia and the Pacific, and Latin America, to lay a firm base on which more far reaching development and increased military strength can be built in the near future. Particularly for the Near East and Asia regions, United States assistance requirements should not be delayed as to timing.

*The Civil Defense Program*

33. The civil defense program should contribute to a reasonable assurance that, in the event of war, the United States would survive the initial blow and go on to the eventual attainment of its objectives. Civil defense programs are designed to serve to minimize casualties in the event of attack, to provide emergency relief immediately after attack, and to help preserve the productive core of the nation. The basic responsibility for civil defense is local, resting with the States and their local subdivisions. The present civil defense program is a State-Federal program in which the Federal Civil Defense Administration develops plans and programs for the guidance and assistance of the States.

34. Present plans which will be implemented during the fiscal year 1952, if funds are available, provide for the development of Federal stockpiles of supplies and equipment and a system of warehouses for the storage of such reserve stocks; the procurement of organizational equipment in financial collaboration with the States; and the development of a national attack warning and communications system. Studies are being made of types of shelters, traffic control, public attitudes and the need for shelters and other protected facilities in critical target areas.

35. The Federal Civil Defense Administration has in operation its Washington, D.C. office, eight of its thirteen regional offices, its Staff College and one of its three training schools. Almost all States have civil defense legislation, and funds provided by State and local governments considerably exceed Federal appropriations. Federal funds are at present made available to local governments primarily for medical supplies, and equipment for training and education. State and local organizations are in some cases in complete operation, but in most instances, are only skeleton organizations which are being filled in as rapidly as possible.

36. The principal difficulties involved in completing the program are the lack of appropriations, attitudes of indifference toward civil defense on the part of the public whose interest often fluctuates in accordance with military successes and reverses. Subject to substantial financial support by the Congress, the Civil Defense program can be well under way by June 30, 1952, but it will not be complete or adequate.

*Stockpiling*

37. The ultimate targets for the stockpile program originally established on December 8, 1950 have not been substantially modified. Attainment of those objectives by June 30, 1954 or earlier for most items is still the objective, but it was always recognized that this date was not feasible for many commodities.

38. However, since December 1950 the intermediate targets set for mid-1951 and mid-1952 have been revised downwards for many commodities for which current military and civilian requirements are in excess of the supply. For most of the more important materials, deliveries during FY 1951 were not adequate to meet the lower targets for that date and in most of these instances the deliveries now scheduled for FY 1952 will not be sufficient to make up the difference.

39. The $1.8 billion in supplemental FY 1951 funds recommended on December 8 have been appropriated but the $1.0 billion in new funds recommended for FY 1952 has been reduced to $.6 billion in the request to the Congress. This may well be adequate in view of the materials shortages for current production to be expected over the next year or more. The total cost of the program remains about $4.1 billion of new authority, which was estimated to be required as of December 8, with recent increases in prices about offsetting minor target reductions.

40. As of June 30, 1951 all funds available as of December 8 had been obligated but $.8 billion of these had not been spent. Only $.9 billion of the $1.8 billion supplemental for 1951 have been obligated and none has been spent.

*The Information Program* [17]

41. The purpose of the information program is to bring home to the peoples of the world the psychological implications of the cold war in such a way that we will benefit and the Kremlin will suffer. This is done through a variety of media and methods. The Department of State has for a number of years had facilities designed to accomplish this task. Annex 5 of NSC 68/3 [18] set forth an information program which called for increases over the "Campaign of Truth" program (approved by the Congress and the President in the summer of 1950). Annex 5 provided for an increased number of broadcast hours and languages in the Voice of America, and additional booklets, leaflets, magazines, pictures, press releases, information centers, exchange of persons, documentary films, intelligence research facilities, etc. The most important change was the acceleration of the ring program to assure its completion within a two year period (rather than five years) by providing all the financial requirements in FY 1951. This was a radio ring of 14 one-megawatt (1 million watts) medium-wave transmitters to be established overseas for greater penetration of Iron Curtain countries and areas of the sub-Asian continent, supported by 5 one-megawatt short-wave transmitters in the United States.

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[17] For documentation on the United States information program, see pp. 902 ff.

[18] Annex 5 (Foreign Information Programs) of NSC 68/3, December 8, 1950, is printed in *Foreign Relations*, 1950, vol. I, p. 452.

42. This expanded program set forth in Annex 5 has fallen seriously short of what was planned. The principal shortcomings are the failure to provide for (*a*) the completion of the ring of radio transmitters; (*b*) additional personnel and facilities for information centers in certain critical areas; (*c*) exchange of additional persons and (*d*) discreet support of indigenous activities.

43. Due to the refusal of Congress to appropriate funds there has been an indefinite postponement of the completion of the radio ring. This and other difficulties can be said to stem directly from lack of sufficient understanding, on the part of the American people and their representatives of the significant role an adequate information program can and must play in the defense of the United States.

44. The current program is inadequate on two scores: (*a*) the United States has less time to prepare its defenses than was thought a year ago, and (*b*) the United States has lost time in expanding its efforts, particularly in acquiring the radio ring. To compensate for this, appropriations previously recommended should be made with an increase of 15% in the appropriations for radio facilities so that the radio ring can be more rapidly constructed.

45. Funds presently available make it necessary to postpone target dates. It is recommended that sufficient funds be sought to permit advancing target dates. The program can operate at maximum effectiveness in approximately 24 months from the date adequate funds are made available.

*Foreign Intelligence and Related Activities*

46. The Director of Central Intelligence and the agencies represented on the Intelligence Advisory Committee [19] have taken and are taking action directed toward the improvement and intensification of foreign intelligence and related activities. For reasons of security, the specific programs undertaken and contemplated and their budgetary requirements are not set forth here. It has been determined, however, that even the substantially increased budgets required are inconsiderable in relation to the grand total of the other programs described in NSC 68/4.

47. Since September 1950 there has been substantial progress in the development of cooperation and coordination among the several intelligence agencies through the active utilization of the Intelligence Advisory Committee as a means to that end. Although detailed problems remain to be solved, an effective system of coordination has been established and that aspect of the program may be said to have been completed.

[19] The Intelligence Advisory Committee consisted of the Director of Central Intelligence (Chairman) and the principal intelligence officers of the Departments of State, Army, Navy, Air Force, the Joint Chiefs of Staff, the Federal Bureau of Investigation, and the Atomic Energy Commission. Its function was to effect interdepartmental coordination of intelligence activities and advise the Director of Central Intelligence.

48. An intensification of intelligence and related activities, to the extent feasible with the means available, has also been accomplished. Further progress depends on the augmentation of personnel and facilities. The projected expansion of CIA and the departmental agencies is, in general, about half completed.

49. All intelligence agencies have experienced difficulty in finding and recruiting properly qualified personnel. Only the intelligence organization of the Department of State has had notable difficulty in obtaining adequate budgetary provision for personnel expansion. Lack of adequate and suitable office space has hindered development responsive to NSC 68.

50. Present programs for the improvement and intensification of intelligence and related activities are deemed to be the most practicable in the circumstances. Their substantial completion by mid-1952 is anticipated.

*The Internal Security Program*

51. Although new problems are arising continuously in this field, the present basic internal security program is virtually identical with the accelerated program which was recommended by the Interdepartmental Committee on Internal Security (ICIS) and the Interdepartmental Intelligence Conference (IIC) and which was adopted by the National Security Council (NSC 68/4). While the fundamental elements applicable to the internal security program of the ICIS and the IIC are of a continuing nature, extensive progress relating thereto has already been made by both Committees. This progress has been manifested by the initiation of additional needed measures in areas relating to such problems as the provision of a more adequate legal basis for insuring the internal security, the coordination of internal security planning with plans for the military and civil defense of the United States, the increase in domestic intelligence and counter intelligence coverage in the internal security field, the expanding of investigative, prosecutive and related programs designed to neutralize the activities of individuals and groups who constitute potential and actual dangers to the nation's security, the preparation of appropriate measures for industrial and port security, the protection of classified information as well as certain types of nonclassified strategic information, the establishment of preventive measures relating to defense against unconventional attack, the establishment of entry and exit safeguards, etc.

52. There has been almost unqualified cooperation by the various departments and agencies in support of ICIS–IIC activities. At present IIC is encountering no major difficulties and none is anticipated by that Committee, if funds are approved with which to provide the essential manpower and supplies for its program. In the case of ICIS, however, several of the programs and projects advocated by that

Committee have met with the obstacle of lack of funds, and it is contemplated that, as further planning progresses in this body similar obstacles of a monetary nature may be encountered.

53. The accelerated internal security program previously recommended is considered adequate. The threat to the internal security of the United States from communism has not changed since this program was prepared and it is anticipated that the threat will continue even if hostilities in Korea are brought to a successful conclusion. With respect to timing, the entire program is an immediate one both from the standpoint of measures currently being employed and those which are earmarked for implementation only in the event of hostilities. Both require urgent attention on a current basis. Since the ICIS–IIC program is considered to be urgent and immediate the target date for readiness is *now* and not in the future. Accordingly no target date modification is recommended and as a consequence the Committees are continuing to impart a sense of urgency to their deliberations in their efforts to more adequately assure the internal security of the nation.

## PART III—CONCLUSIONS [20]

54. Review of the world situation shows that the danger to the national security of the United States posed by the USSR is greater now than was anticipated during the development of the NSC 68/4 programs. It now appears that the United States and its allies are already in a period of acute danger which will continue until they achieve a position of strength adequate to support the objectives defined in NSC 68.

55. Review of the status of current United States programs for national security indicates that, while there is variation among the several programs, the target dates for the NSC 68/4 programs generally will not be met at the present pace and scale of effort. Of importance is the current estimate that although United States Armed Forces will reach the approved active force and personnel levels by June 30, 1952, they will not by that date achieve, particularly with respect to critical, hard-to-get, and long lead time items of military equipment, the total matériel position contemplated in NSC 68/4, or in some cases the FY 1952 procurement objectives evolved therefrom. Moreover, without a great increase of pace and scale of political, economic and military effort on the part of all NAT members, including the United States, the July 1954 goals of the NATO Medium Term Defense Plan will not be met. Finally, the information program and preparations for civil defense are not advancing as rapidly as necessary.

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[20] These conclusions were approved by President Truman on August 9; see memorandum, p. 157.

56. It is vital to our national security that the objectives of the NSC 68/4 programs be achieved at the earliest practicable date. It is apparent that some important elements of these programs cannot be completed by the target dates set in NSC 68/4 under any circumstances. On the other hand, the current estimates of completion dates for many of the elements of these programs, assuming the present pace and scale of effort, are inadequate to the needs of our national security. Substantial advancement of currently projected completion dates can and must be accomplished.

57. It is not now possible to state the desirability of reaffirming or modifying the approved target dates for readiness under presently approved programs. In any event, however, the gravity of the world situation now demands that as much of all programs essential to national readiness as is practicable be accomplished by or before the approved target dates for the NSC 68/4 programs.

58. Pending further recommendations in the report to the President by the National Security Council due on October 1, 1951,[21] responsible departments and agencies should be directed to increase their efforts to meet the target dates for their presently approved programs, and, with particular respect to the program for the production of military equipment, to accelerate presently planned rates for critical, hard-to-get, and long lead time items, in order to advance currently projected completion dates as far as feasible toward the target date of June 30, 1952, and to review for each item the problem of achieving accelerated production while at the same time securing an adequate mobilization base.

## Appendix A

## Changes in the World Situation Since the Completion of NSC 68/4

### PART ONE: THE POSITION OF THE SOVIET BLOC

1. *Objectives.* The U.S.S.R. has given no indication that its objectives have changed since April 1950. Indeed all available evidence leads to the conclusion that the Soviet rulers are as convinced as ever of the basic correctness of their policy and are still intent upon unyielding pursuit of the following goals:

*a.* The eventual establishment of a Communist world dominated by the U.S.S.R. This basic objective, in addition to traditional Marxian

[21] For information on the request for the report due October 1, see memorandum by Executive Secretary Lay and the attached directive by President Truman, July 12, p. 101. The report submitted to the President, NSC 114/2, October 12, is printed in part on p. 182.

"world revolution" motivation, probably arises from a Kremlin conviction that the vital interests of the U.S.S.R. can be assured over the long run only by the elimination of all governments it cannot control. This conviction is probably based in turn on a Kremlin belief that peaceful coexistence of the U.S.S.R. and its empire, on the one hand, and the U.S. and its allies, on the other, is impossible and that an armed conflict between them is eventually inevitable.

*b.* As essential steps toward realization of this basic objective, the Soviet rulers in the current situation appear to be seeking to:

(1) Maintain an advanced state of war-readiness and offset any increase in the capabilities of the U.S. and its allies.

(2) Prevent the development of any threat to the vital interests of the U.S.S.R. or to Soviet control of the satellites;

(3) Expand the territorial limits of the Soviet orbit;

(4) Undermine and secure control of governments not yet under Soviet domination;

(5) Divide the U.S. from its allies and cause the countries of the free world generally to deny their resources, including strategic sites, to the U.S.

*c.* Developments since April 1950 and growing in part out of the Korean war have apparently caused the Soviet rulers to place primary emphasis in their foreign policy on those of the above immediate aims that relate to preventing Western (notably, West German and Japanese) rearmament and implementation of the U.S. overseas bases policy.

2. *Military capabilities.* The U.S.S.R. since April 1950 has substantially improved the capability of its military forces in being. It has brought Soviet and satellite military units to an advanced state of battle readiness and has so deployed them in advance positions that they could, in any critical area of continental Europe or Asia, move virtually without further mobilization and concentration and without additional logistical, organizational, and training preparations; it has accelerated the modernization of the Soviet armed forces—including the conversion of the air force to jets, the construction and extension of airfields in the U.S.S.R. and the satellites, and the extension of its radar net within both the U.S.S.R. proper and the satellites; and it has taken further important steps toward placing the Soviet and satellite economies on a war footing. Military forces of the European satellites, including East Germany, have been increased from 671,000 in the spring of 1950 to 947,000 at present, and substantial progress has been made toward Sovietizing them in weapons, organization and training. Present Soviet military capabilities are estimated as follows:

*a.* The Soviet and satellite armed forces retain the capability of overrunning continental Europe and the Near and Middle East (except India and Pakistan) within a relatively short period. Both military and non-military stocks, with the possible exception of aviation fuel, are in sufficient quantity and so distributed as generally to

permit sustained military operations during that period even though U.S. atomic capabilities were fully exercised against strategic targets in the U.S.S.R.

*b.* In the Far East, North Korean and Chinese Communist forces, with Soviet logistical and technical support, have demonstrated a military capability greater than had been previously estimated. In the event of general war, it would not be in the over-all security interests of the United States to commit our forces to the defense of the mainland of Asia. Communist forces must therefore be credited with the ability to overrun East and Southeast Asia, and threaten the security of the off-shore island defense line.

*c.* The U.S.S.R. does not have, and, even if it should seize the Eurasian continent and the U.K., would be unlikely to secure adequate naval forces and sufficient shipping to permit it to mount a successful invasion of the Western Hemisphere.

*d.* The Soviet Air Force continues capable of providing adequate tactical support to all ground campaigns which the U.S.S.R. might launch against continental Europe and the Near and Middle East (except India and Pakistan) and simultaneously of attempting a strategic air offensive against the United Kingdom and the North American continent.

*e.* Soviet atomic capabilities have increased roughly at the rate anticipated in April 1950, but are expected to increase more rapidly in the next three years than was previously estimated. These capabilities, while substantial, remain inferior to those of the U.S. It is impossible, however, to estimate with assurance the Kremlin's conclusion with regard to the relative effectiveness of the Soviet and U.S. atomic warfare capabilities or with regard to the relative importance of atomic and conventional weapons in determining the issue of a future general war.

3. *Economic capabilities.* The U.S.S.R. has not succeeded since April 1950 in reducing the overwhelming economic superiority of the West. At the conclusion of the recently completed Fourth Five-Year Plan, total Soviet-satellite industrial capacity remained approximately one-fourth that of the NATO powers. Moreover, the trend during the past year indicates that in the short run at least the existing gap will widen. However, the U.S.S.R. has continued and even extended measures that enable it to translate its own and satellite economic resources into military power in being. In consequence, Soviet strength, at least for immediate military purposes, continues largely unaffected by the economic inferiority of the U.S.S.R. and the satellites.

4. *Psychological capabilities.* Although developments since April 1950, particularly those related to Korea, may have served to weaken somewhat the impact of Moscow's propaganda on free peoples, Soviet capabilities for psychological warfare—both offensive and defensive—have not been materially reduced. The combination of the Soviet propaganda apparatus with the world-wide network of local Communist parties and front societies continues to give the Soviet Union

an organizational advantage for its propaganda efforts. Soviet control of all informational media within the U.S.S.R. and Soviet jamming of foreign broadcasts gives the Kremlin a near monopoly in moulding the thinking of the Soviet peoples on international affairs. By alternating "war scare" techniques and appeals to the universal longing for peace, the U.S.S.R. has demonstrably produced during the past year disruptive effects on Western efforts to deal collectively with basic security problems. Domestically, a new trend has appeared in the Soviet anti-American campaign. This trend has been marked by charges (1) that the U.S. has moved from preparation of aggression to acts of aggression, and (2) the U.S. has committed "unforgiveable" crimes against the Russian people and plans to repeat these crimes. These charges have been principally pegged on accounts of alleged U.S. atrocities in Korea and on the U.S. "intervention campaign" against Russia of 1918–20. The effect of this new development is obviously to increase the psychological preparation of the Soviet people for possible war.

5. *Internal stability of the Soviet regime.* Evidence received since April 1950 indicates that tensions continue within the U.S.S.R. Moreover, developments with regard to a collective farm merger program suggest that the regime may be encountering unusual peasant opposition. However, the Kremlin, through utilization of police state techniques, appears capable of successfully suppressing any difficulties that may arise. It must be concluded, therefore, that the regime will continue in power and will not be compelled to modify any of its external policies because of internal pressures.

6. *Stability of and degree of Soviet control over European satellite regimes.* It is apparent that since April 1950 stresses and strains have developed in the European satellites. These are principally economic in nature, but appear to have some political potentialities, particularly as regards increasing anti-Russian sentiment. The difficulties seem to result from the combined impact of the military preparedness effort, Western trade restrictions, over-ambitious industrialization programs, and agrarian problems. There are no indications that the difficulties are sufficiently serious to jeopardize the Communist regimes, to reduce the firm grip of Soviet control over these regimes, or to prevent them from undertaking any action demanded by the Kremlin. The military capabilities and the general war readiness of the European satellites have substantially increased since April 1950, the rate of increase being in fact greater than was estimated at that time.

7. *Stability and degree of control over Far Eastern satellites*

*a.* Since April 1950 the Kremlin has been able to secure large-scale military action furthering its own interests from its satellite regime in North Korea and from the Chinese communists. During the Korean war the size of the Chinese communist military establishment has been

increased. However, deployment to Korea and Manchuria of major portions of their best forces, increased internal police requirements, and the logistic strain of the Korean war have reduced present Chinese communist capabilities for additional external military operations.

*b.* While the Korean war has not yet posed a critical threat to the economic stability of the Chinese communist regime, the war has subjected and will continue to subject the regime to increasingly serious economic difficulties. These difficulties are almost certain to increase during the next year if Western trade restrictions are rigorously applied.

*c.* The Korean war has increased the dependence of the Chinese Communists on the U.S.S.R., but apparently has not materially changed Sino-Soviet relations. There are areas of conflicting interests which make rumors of mutual dissatisfaction plausible, but we have no firm evidence to substantiate these rumors. The Korean war has placed strains upon the internal political, military and economic position of the Chinese communist regime. While these strains have not yet become critical, they might well become so if the war were prolonged. Whatever may have been the economic and internal political consequences suffered by the Chinese as a result of taking such military action, there is as yet no firm indication that the Chinese communist regime has been jeopardized or that Soviet influence over the regime has been reduced.

8. *Threat of the U.S.S.R to U.S. security.* The Soviet rulers since April 1950 have shown through their actions in Korea a greater willingness to assume risks in the pursuit of their objectives than was estimated at that time. Moreover, the Soviet rulers have revealed during the same period intense sensitivity over efforts of the West to strengthen its military position and have increasingly resorted to threats over the consequences likely to ensue from continuation of these efforts. The threat to U.S. security posed by Soviet policies and capabilities appears therefore, to have increased since April 1950.

*a.* The Kremlin has since April 1950 stepped up its drive to destroy the freedom of the Western world through political warfare and has given every indication that it will further intensify this drive in the future. For example, with the immediate objective of dividing the Western powers, undermining U.S. mobilization, obstructing the NATO program and frustrating prospective German and Japanese rearmament and with the ultimate objective of paralyzing opposition to communism, the Kremlin may adopt the tactic of encouraging the West to hope for a settlement of outstanding issues by mutual agreement, without, however, intending to surrender any present element of Soviet strength or abandoning its objective. The Kremlin will continue to press its "peace" campaign, to exploit the fear of war in Europe, to raise hopes of German unification, and to use the communist parties of France and Italy in an attempt to confound the political situation and obstruct effective government. Similarly, wherever in the world non-communist governments are weak, as in Iran, Indochina, and Burma, the Kremlin will continue efforts to strengthen the communist position and, if favorable situations develop, will support communist coups.

*b.* The Kremlin through its action in Korea has made clear that there is a continuing possibility that it may supplement political attack by the employment of satellite military forces to secure local objectives. In such cases the U.S.S.R. would give technical and logistic support to the satellite forces involved. If necessary, Soviet "volunteers" might be provided. In addition, it must be considered a continuing possibility that where no satellite forces are available, as in Iran, Soviet forces themselves will be employed for local purposes. Any such aggression would involve risk of general war developing or of the West suffering losses that would undermine its power position.

*c.* There continues a possibility that the U.S.S.R. may at any time deliberately resort to general war against the U.S. It appears that the most important immediate objective of the Kremlin is to divide the West and to halt Western, West German, and Japanese rearmament. If the Kremlin should fail to make sufficient progress toward that end by methods short of general war and if in addition it should become convinced that its superiority in conventional forces was about to be offset, the Kremlin would seriously consider resort to war. It is apparent that for some time U.S., NATO, West German, and Japanese rearmament is unlikely to progress to the point where the Kremlin would need to regard it as an immediate threat to Soviet vital interests. However, in evaluating the prospect of the Kremlin's actually resorting to war, recognition must be given to (1) the fact that Soviet forces are in an advanced state of war-readiness and could initiate general war at any time with little or no warning, and (2) the possibility that the Kremlin might at any time misinterpret Western defensive measures as an effective threat to the vital interests of the U.S.S.R.

*d.* There continues a possibility of general war developing at almost any moment from an action or series of actions not intended to produce that result. The Kremlin might, for example, miscalculate the degree of risk involved in a particular action or underestimate the cumulative effect of several actions. Or, it might regard a particular local action as so necessary or so advantageous as to warrant assuming even a serious risk of general war. In any event, the international situation is so tense that some issue might develop to a point beyond control.

*e.* Particularly is it possible that the Korean situation will get out of hand. If the conflict in Korea continues, or is renewed after a cease fire, the U.S.S.R. will probably continue to aid the Communist forces in ways which the Kremlin estimates would not involve serious danger of a break between the U.S.S.R. and U.S./UN. If, however, the communist forces in Korea were threatened with decisive defeat, the Kremlin would probably intensify its aid. This aid might well include the introduction of "volunteer" forces. It might even include the employment of Soviet forces to such an extent that a *de facto* local war between the U.S./UN and the U.S.S.R. would exist. At every stage the Kremlin would probably endeavor to keep open the possibility of ending the Korean conflict by political negotiation if the global interests of the U.S.S.R. would be served by disengagement in Korea.

PART TWO: THE POSITION OF THE FREE WORLD

1. *Western Europe*

*a. Military Effort.* As is the case in the United States, the provision of military equipment presents the major problem in raising the effective strength in being of the Western European countries. MDAP deliveries have been slower than was anticipated. As of April 30, 1951, only 53% of the material programmed in fiscal 1950 and 2% of that programmed in fiscal 1951 had been shipped to port. The personnel strengths of the NATO countries have shown some increases due to lengthened conscription periods and increases in military budgets. National defense expenditures of the European NATO countries, based on budgetary allocations, have increased approximately 35 percent (from 5.3 billion dollars in the calendar year 1950 to an estimated 8.2 billion in 1951). However, the rate of expansion has not been as extensive as was desired or hoped for by the United States.

*b. Internal Economic Conditions.* The speed-up in Western rearmament programs has required the European countries to expand the proportion of their increasing total output which is directed to military purposes and to augment their total budgetary expenditures. At the same time, it has raised the prices and put pressure on the supplies of the raw materials that Western Europe must import. It further appears that the reduction in living standards associated with the speed-up of European rearmament programs will be rather inequitably distributed through mounting inflationary pressures. Although these economic problems have raised obstacles to developing and maintaining popular support for European rearmament programs, they have not critically affected the political or economic strength and stability of Western Europe.

*c. Internal Political Strength.* Popular communist strength increased in recent Italian municipal elections [22] and remained formidable in the French national elections and some strength also accrued to extreme right-wing groups in both elections.[23] The extreme Right is, at the same time, becoming more powerful in West Germany, where it derives support from large refugee elements, whose plight presents a continuing problem.[24] On balance, it can be said that the process of political polarization has continued in Western Europe since April 1950, but has not seriously affected such leadership as the present center political groups have been able to provide in the major countries of this area. Continuation of this trend toward polarization would have an adverse effect on the internal strength and stability of such countries.

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[22] For documentation on Italian political conditions, see volume IV.

[23] For documentation on French political conditions, see *ibid.*

[24] For documentation on political conditions in the Federal Republic of Germany, see vol. III, pp. 1747 ff.

*d. Political Cohesion.* The U.S. leadership and U.N. solidarity shown in the initial Western reaction to the invasion of the Republic of Korea stimulated anti-communist morale in Western Europe. Faith in U.S. leadership was subsequently somewhat shaken by the pressure for a more aggressive policy in Korea that developed in this country but has probably been restored by the recent full public explanation of the U.S. policy in the Far East and by the negotiations for an armistice. Progress has been made in carrying forward the NATO program. The U.K. and France also displayed an ability to stand against Soviet pressures at the Paris Deputies' meeting.[25] Some progress has, in addition, been made in implementing policies which would eventually render West Germany an equal, independent, and willing ally of the West. On balance, therefore, it can probably be said that the cohesion of Western Europe as an element in the world wide anti-Kremlin front has been strengthened since April 1950.

2. *Africa and the Near East*

As against the situation in April 1950, the Western position in the Near East has, except in Greece and Turkey, deteriorated. The problems arising from Israeli-Arab hostility, colonial-Western antagonism, and backward economic conditions have not approached solution and have in some cases grown more critical. The readiness of the Near Eastern countries, once against excluding Greece and Turkey, to accept Western leadership is even less in evidence than was the case in the spring of 1950.

*a. The Arab Near East.* Tensions between Israel and the Arab states have, if anything, heightened over the past 15 months, and anti-Western sentiment among the Arabs has solidified. British relations with Egypt, which involve among other things the issue of traffic through the Suez Canal, have worsened substantially, as have prospects for stability in Egypt. As an aftermath of developments in Iran, the British and American position in other oil concession countries, notably in Iraq, is more vulnerable to nationalist attack. In general, pro-Western political forces in the entire Arab area have lost ground since the spring of 1950.

*b. Greece and Turkey.* The passage of time since April 1950 has brought some accretion of strength in Greece and Turkey. In both countries, military forces have had an additional period of training and have absorbed additional U.S. equipment. Turkey has demonstrated an impressive degree of political maturity under its new government and political instability in Greece is certainly no more an upsetting factor than it was at the earlier date.

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[25] Reference is to the meetings of the Deputy Foreign Ministers of the United States, United Kingdom, France, and the Soviet Union, March–June 1951; for documentation on this subject, see vol. III, pp. 1086 ff.

*c. Iran.* The present crisis in Iran threatens the free world with the loss of a large quantity of oil products, the U.K. with the loss of substantial revenues, and Iran with political anarchy and a possible Communist assumption of power.

*d. Morocco.*[26] The French show no signs of abating their opposition to the nationalist movement in Morocco or of trying to forestall it by timely concessions; nor have French repressive measures been successful in reducing the amount of native support accorded the nationalist movement. It must thus be said that the continued confrontation of colonial and nationalist forces in Morocco has, since April 1950, worsened the prospects for political stability in this strategic area.

3. *South Asia and the Far East*

*a. India*'s foreign policy, as unfolded in connection with the Korean war and related issues, is further removed from that of the West than was the case in April 1950. More importantly, the position of the Congress Party in India has been weakened by a strengthening of both leftist and rightist elements.

Tension between India and *Pakistan* over Kashmir has increased to the point where actual hostilities threaten the entire subcontinent. The obscure dispute between *Afghanistan* and Pakistan is as far from being settled as ever and, because of Pakistan's suspicions that India is acting in support of Afghanistan, it further contributes to the unsettled political situation in South Asia.

*b.* The prospects of the present moderate government in *Burma* appear, on the whole, less favorable than in April 1950. The Chinese communists are extending, and have the capability of increasing military aid to communist insurgent forces. Should these forces succeed in allying themselves to other rebel groups in Burma, the position of the government might become untenable, at least in the absence of greatly increased external military aid.

*c.* In *Malaya*, *the Philippines*, and *Indo China*, the internal struggles that were underway in April 1950 are continuing. In the Philippines, the government has been somewhat more effective lately in its anti-Huk operations, but has made no appreciable progress in coping with the basic and, if anything, worsening economic problems of the Islands. In Malaya, the relative positions of the government and guerrilla forces remain approximately the same. This in itself may be taken as a deterioration in the position of the government, which has expended large resources in an effort to repress a military movement whose indefinite continuation would eventually pose a threat to British rule. In Indo China, after the initial improvement in the French position associated with the change of military command, the struggle is once more apparently stalemated. If increased Chinese communist

[26] For documentation on U.S. policy with respect to Morocco, see volume v.

intervention should materialize after an end of hostilities in Korea, it could tip the present precarious military balance of power in this area against the French.

*d.* In *Korea*, the hostilities beginning in June 1950 have ravaged and disorganized the country. The Republic of Korea will need considerable U.S. economic and military aid if even part of the war damage is to be rehabilitated, if political stability is to be maintained, and if the ROK is eventually to be rendered capable of defending itself against future subversion or attack by North Korea.

*e. Japan.* Progress has been made toward a peace settlement with Japan without U.S.S.R. or Chinese communist participation, and with a continuation of U.S. military protection. A basis for Japanese rearmament is thus being provided, although Japanese will and ability to solve the political and economic problems involved in rearmament have yet to be demonstrated.

4. *Latin American Republics* [27]

In spite of readjustments occasioned by increased rearmament of the U.S. and Western Europe, the economic position of Latin America has considerably improved since April 1950. Political stability of the area has in general remain unchanged. With respect to the East-West struggle, the Latin American countries have, with a few exceptions, notably Guatemala, evinced greater willingness to collaborate with the U.S. and the U.N. in the fields of economic and political warfare as well as in matters of military preparedness.

[27] For documentation on U.S. policy with respect to the Latin American Republics, see vol. II, pp. 925 ff.

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S/S–NSC Files, Lot 63 D 351, NSC 114 Series

*Memorandum for the National Security Council by the Executive Secretary (Lay)*

TOP SECRET WASHINGTON, August 9, 1951.

Subject: Status and Timing of Current U.S. Programs for National Security

References: NSC 114/1 [1] and Annexes to NSC 114/1 [2]

The President has noted the reference report and the Annexes thereto as indicative of the status of the present programs. He has this date approved the "Conclusions" contained in Part III thereof, and directs their implementation by all appropriate executive departments and agencies of the U.S. Government.

[1] *Ante*, p. 127.
[2] The annexes are described in footnote 9, p. 129.

In connection with the above actions the President also issued the following directive:

"I believe that this report has been very helpful in indicating the status of our various national security programs in relation to the NSC 68 goals. It is my desire, however, that this information be available to me hereafter on a continuing basis in order that I may be currently advised of progress toward meeting these goals and as a basis for determining any further steps that may be required in that connection.

"I am therefore directing the NSC Executive Secretary to establish, as a part of his staff, a small reporting unit which will keep currently informed on the status of all of our national security programs, and ensure that such status reports as may be required are made available promptly to me or to the National Security Council. The principal duty of this reporting unit will be to work with representatives of the responsible departments and agencies to be sure that the various status reports made by these departments and agencies contain the necessary information and fit together without gaps or unnecessary duplication.

"I am sure that this reporting unit will, with the wholehearted cooperation and assistance of all responsible departments and agencies, prove to be a valuable adjunct to our national security efforts."

JAMES S. LAY, JR.

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Truman Library, Truman Papers, PSF–Subject File

*Memorandum by the Chief of Special Projects, Joint Congressional Committee on Atomic Energy (Mansfield), to the Chairman of the Committee (McMahon)* [1]

SECRET [WASHINGTON,] August 15, 1951.

Subject: Some Comments on Tactical Atomic Weapons

The following comments are in response to your request.

Tactical atomic weapons hold forth the promise of a revolution in land war which can be compared to the revolution in air war brought about by the Hiroshima and Nagasaki bombs. General Collins tells us that the prospect of these weapons puts the defense of Western Europe in a completely new—and far more favorable—light. From General Bradley, we hear that the development of such weapons may spell the end of mass concentrations of troops.

Atomic weapons used tactically are the natural armaments of numerically inferior but technologically superior nations. They are the natural answer to the armed hordes of the Soviet Union and its satellites. Their coming into being should immeasurably strengthen Western Europe's will-to-resist, since they will decisively help to shift the

[1] The source text bears the following handwritten notation by President Truman: "Atomic file. HST."

balance of military power toward the free world and against the slave world.

One might therefore suppose that we would now be orienting our entire defense program around the rapid development and bringing into being of tactical atomic weapons. In truth, however, we have been curiously tardy and fainthearted in getting this program started. My inquiries lead me to believe that only a very minor fraction of our total research and development program is now directed toward achieving tactical A-weapons as quickly and in as large quantity as possible.

There is a compelling analogy between our present effort in this field and our effort to amass a stockpile of strategic weapons in the days immediately following Hiroshima. Six years ago, it was generally recognized that weapons of mass destruction had fundamentally changed the anatomy of air power. Indeed, this conviction found substance in our official defense thinking—we proceeded to place overwhelming reliance on the deterrent power of our atomic stockpile. And yet—despite this one-weapon-in-our-arsenal situation—we allocated less than one-fortieth of our total military spending to the manufacture of these weapons. Our deeds were strangely out of line with our words.

Just as, six years ago, we suffered from strategic myopia—failing to devote enough resources to the trump card of the free world—so now we appear to be suffering tactical myopia—failing to devote enough skill and energy to developing these revolutionary new weapons. Of course, we hear great promises of things to come in the tactical field—just as we heard much about the fearful destructive potentialities of our strategic stockpile, at a time when there were two bombs in our locker. But the momentous and historic implications of tactical atomic weapons have not yet truly permeated the thinking of the military—nor does there now exist an all-out program to translate promises of future developments into the hard stuff of fissionable materials.

The case should not be overstated. All three services are working on the thorny problems that stand between us and a family of tactical weapons existing in quantities large enough to hold the Red armies at bay. In addition, the military has farmed out important tactical studies to contractors, e.g., to California Tech, to the Rand Corporation at Santa Monica, and to the Army's Operations Research Office at Johns Hopkins.

But what needs stressing is the elementary nature of the research projects now under way. These undertakings are, without exception, exploratory inquiries—they aim more at defining the problem rather than at offering specific plans for action. For instance, Dr. Robert Bacher, the former AEC Commissioner now participating in the "Vista Project" at Cal Tech, told me that when his group's work is finished—presumably at the end of this year—they will probably

come forward with no more than a series of recommendations for further studies.

If our present rate of progress is unchanged, it will very probably be mid-1953 before we have an agreed-upon body of doctrine concerning the deployment and use of tactical A-weapons.

This brings out one of the peculiarities of this problem area—the actual development of tactical atomic weapons themselves has been more rapid than the development of our thinking on how to use them. We have emerging an entire family of atomic weapons designed for tactical use; we do not now have intra- or even inter-service agreement on how these weapons will be used and which ones are the prospective best military bets.

In our thinking about these weapons, there are two broad problems to be solved—and these might be described as the "hardware problem" and the "allocation problem."

The hardware problem consists of four inter-related questions: (1) What should be the make-up of our ultimate family of atomic weapons? (2) How can they be most effectively delivered to their targets? (3) Against what types of targets should these weapons be employed? and (4) Which services should be empowered to carry out what tactical atomic assignments, and what new command problems will be created by the coming of these weapons?

In turn, these four questions present a host of smaller issues: What is the comparative effectiveness of atomic artillery pieces versus air-drops? Are large-diameter, large-yield weapons—which can be carried only in relatively large planes—better than small-diameter, small-yield weapons—which have less destructive power but greater ease of deliverability? Does the atomic howitzer represent a sensible military requirement, or does it basically reflect the Army's desire to get into the atomic act? Can these new weapons be used efficiently against personnel, or should they be primarily employed against structures and matériel? Will they be used to better advantage in close support of ground troops, or will interdiction—the destruction of bridges, etc.—constitute their main application? And what about the problem of air-ground liaison? Does the danger of hitting our own troops tip the balance in favor of the marine type of tactical air command?

Two things are apparent concerning all these hardware questions. First, these problems cannot be solved quickly and easily—for purely technical reasons it will inevitably take a long time to thrash them out. Second, these questions are—insofar as the military is concerned—politically explosive. The relative stature of each of the three services will intimately depend on how they are answered—they hold out the possibility of creating new versions of the B-36–super carrier controversy.

There is little doubt that with greater effort, the hardware studies can be measurably hastened. The Joint Committee may indeed find it desirable to press for a more ambitious research program—perhaps the timetable can be stepped up by six months. Yet, by their very nature, these research problems will be protracted.

The result is that the tactical picture—if regarded in terms of exactly what weapons we will need and exactly how we want to use them—will really not be clear until 1953 at the earliest.

Now, what of the allocation problem? No doubt the question of intra-service allocation of tactical atomic weapons will be a great coming bone of contention. We will see, and indeed are already seeing, a renewal of the old arguments about the "balanced force" against the primacy of one branch of the service.

But in describing the allocation problem, I am not at this moment thinking of intra-service rivalry; I have in mind instead the following two questions: (1) How does the prospect of tactical weapons bear upon the total amount of our national resources that should be allocated to the atomic program? (2) How should our stockpile of fissionable materials be allocated for strategic or tactical use?

If—as I have seen suggested—atomic energy used tactically may be 300 times more economical than conventional high explosives—it seems to follow that our program should be expanded far beyond the dimensions now envisaged by even the most ambitious planners in the Executive Branch. An educated guess suggests that tactical A-weapons—even if made of $40-per-pound raw materials in contrast to the $8 price now prevailing—will still be by far the cheapest military buy. Another educated guess suggests that there will be almost immeasurable tactical uses—uses that must somehow be reconciled with the now almost limitless capacity of the Strategic Air Command to absorb profitably all the fissionable material we can turn out.

So here is one constant in our calculations—we shall want tactical weapons in what can now be termed astronomical quantities. Very probably we will want them numbered in the tens of thousands. And here is the second constant—for an indefinite period of time, the demands of strategic bombing can use all the fissionable material now scheduled for production. Even given the dimensions of the present expansion program, we will have to rob Peter to pay Paul if we are fully to exploit tactical uses. We cannot do this and, at the same time, neutralize Russian industry. If this is the case, we must again raise our sights in considering the scale and scope of our atomic project—we must certainly raise them well beyond the dimensions of the present expansion program.

By 1953, this unbounded need for tactical weapons will be quite apparent. But requirements set in 1953 will not assert themselves in fissionable materials until 1957 or 1958.

Our problem, therefore, is to telescope time and lay down requirements for fissionable materials *now* that will be very evident in 1953. I believe this can be done. Irrespective of the shape of the family of atomic weapons that will come into being two or three years hence, it is possible *today* to define the general magnitude of the role that tactical A-weapons will play in our defensive strategy. Five years hence, that is, will we want these weapons in scores, hundreds, thousands, or tens of thousands? Up to what point will these weapons represent a good military buy? In—say—1956, will it make sense to spend perhaps $200 million a year for tactical uses or would it be economical to spend ten times or even twenty or thirty times that amount?

Notwithstanding our present rudimentary knowledge concerning the hardware questions, we can now make very good predictions about the future minimum dimensions of our tactical program. Normally, of course, the military does not lay down large-scale requirements for a weapon until it has been field-tested. In the case of conventional armaments, this reluctance to buy a pig in a poke is sensible—there is no point, for instance, to committing oneself to a particular artillery piece until it has been tested under field conditions.

But—insofar as the setting of requirements is concerned—atomic weapons must be sharply distinguished from conventional armaments. Once there is some agreement on more or less appropriate ratios between the output of plutonium and uranium-235, we can go ahead and produce, without paying too much heed to what particular shape the fissionable material ultimately assumes. This material can be stored indefinitely; it can be refabricated into new cores with relative ease.

This means that in the atomic field, it makes decided sense to set requirements for fissionable materials in advance of detailed requirements for a specific kind of weapon.

So, in deciding the allocation question—the question of how much atomic material we should turn out, and the question of how we shall earmark it for tactical or strategic use—we can make our basic policy decisions now and save precious time.

Regarded in its fundamentals, the allocation problem is uniquely political rather than military, and it must be squarely met by our civilian leaders. Grand strategy is at stake here and strategy should determine tactics rather than vice versa. Will we use the bulk of our fissionable material to pulverize Soviet industry at the possible cost of Russian occupation of Western Europe? Will we use the major portion of our atomic stuffs to help hold the Red army at the Elbe at the cost of neglecting vital Soviet production centers? Or will we have a program bold enough to accomplish both the defeat of the Red armies and the neutralization of Soviet industry? Only properly constituted civilian authority, properly advised by the military, can venture answers to these basic questions.

For its own part, the Joint Committee may find it desirable to push forward on the following fronts: (1) Urge upon the military a more ambitious research program—one truly in keeping with the epochal importance of tactical atomic weapons. (2) Try to secure from the military—at the earliest possible date—estimates of expected requirements for these weapons expressed in terms of general order of magnitude. And by "requirements", I of course mean estimates based upon actual military need rather than upon supposed availability of raw materials. It is high time that all of us recognize that—within very broad limits—we can have all the raw material we want, provided we are willing to pay the price.

Yet ultimately, of course, only the President and the Congress can speak authoritatively and constitutionally upon the momentous questions posed by the coming advent of tactical atomic weapons. It is their high and solemn responsibility to grapple with the issues of grand strategy, and to decide how the vast force of the split atom can best promote the defense of the free world. We are now on the threshold of a revolution in the art of warfare; the President and the Congress have it within their power to strike a decisive blow for the cause of freedom.

J. K[ENNETH] M[ANSFIELD]

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PPS Files, Lot 64 D 563

*Memorandum by the Counselor (Bohlen)*[1]

TOP SECRET [WASHINGTON,] August 22, 1951.

The current reexamination and bringing up to date of the NSC 68 series will perhaps afford a convenient opportunity to introduce more precision and accuracy in the analysis of the Soviet Union's international policy. While the main premises of NSC 68 remain valid, a more precise definition of the pattern of Soviet behavior in international affairs would reduce appreciably, I believe, certain general and highly speculative statements concerning Soviet purposes which are contained in the original NSC analysis and contained in its subsequent revisions.

The importance of an accurate and precise estimate of Soviet purposes goes without saying, since such an estimate is in large measure the basis for many of our actions in the field and the programs on which we are currently operating. An imprecise analysis of the nature of the Soviet danger may not only lead us into incorrect action in the foreign field but might place our justification and reason for the efforts we are currently undertaking in the defense field at the mercy of a traditional shift in Soviet tactics.

[1] Department of State Representative on the Senior Staff of the National Security Council.

The following observations therefore are not designed to supplant the main thesis of the NSC 68 series, i.e., the vital necessity of a build up of US force and that of our allies, but are put forward for consideration in the current review. It is my belief that the proper approach is to deal insofar as possible, either with facts whenever they are available, and certain factors in regard to the Soviet Union and its policies which are generally undisputed and which have remained constant during the entire existence of the Soviet Union rather than highly speculative and controversial opinion as to "Soviet intentions". It is my belief that speculation as to Soviet intentions which can neither be proved nor disproved is unnecessary in order to demonstrate the vital necessity of an adequate military defense in the free world. The acceptance of this thought by persons who have had no actual experience with the Soviet problem tends to play down dangerously the effect of our own actions upon Soviet policy. They are moreover dangerous since if events should prove them inaccurate—which they might—a good deal of the foundation and justification for our current effort might be pulled out from under us.

CHARLES E. BOHLEN

[Annex]

*Memorandum by the Counselor (Bohlen)*

TOP SECRET [WASHINGTON, August 22, 1951.]

The Soviet Union is both a first-class power and the directing center of an international conspiracy. The same small group of men both control and direct the Soviet Union as a country, and control and direct the organizations of international communism. It is in the dual nature of the Soviet regime that lies the continuing menace to the United States and any countries of the non-Soviet world. This menace will not be removed as long as the Soviet Union continues to exist in its present form regardless of whether the Soviet Union is in a period of expansion or is relatively quiescent. The doctrine which animates the men who control both the Soviet Government and the international communist organization is implacably, unrelentlessly and unappeasably hostile to the United States and any regime not under Kremlin control. This factor alone taken in conjunction with the fact that the Soviet Union and the countries it controls are heavily armed and are continuously rearming is sufficient in itself to require the United States and the countries of the free world to maintain military establishments adequate to counterbalance the armaments, actual or potential, of the Soviet bloc. It is not necessary to justify this elementary requirement of our national survival on any particular phase of Soviet activity. The need for adequate defense will remain as long

as the Soviet regime continues in power or until there is so fundamental a change in its present structure as radically to alter the entire world situation.

In the eyes of Soviet rulers, they are in a constant state of warfare with all non-Soviet powers and organizations. However, the chief purpose of the Soviet Union is not the world-wide extension of communism to which all other considerations are subordinated, but rather the reverse. The world revolutionary movement is since the inception of Stalin's dictatorship in Russia the servant and not the master of the Soviet Union. Ever since his accession to power the guiding thought of the Stalinist Group has been that under no circumstances and for no revolutionary gains must the Soviet state be involved in risks to the maintenance of Soviet power in Russia. The process of imperialistic expansion will always take place when opportunities for such expansion exist without serious risk to the maintenance of Soviet power in Russia, but will not be undertaken if in the eyes of the Kremlin the acquisition of any positions for communism involve a serious risk to the Soviet system.

Soviet actions since the end of World War II confirm in every respect the accuracy of this judgment. It has been for the last six years within the power of the Soviet Union to acquire by overt force virtually all of continental Western Europe and the Middle East since there has been no force even remotely comparable to that which the Soviets could bring to bear in those areas. The reason why the Soviet Union has not capitalized on these opportunities is clearly the fear of world war or rather war with the United States which would inevitably risk the continued existence of the system in Russia. The case of the armed aggression in Korea, according to available evidence, is not a departure from traditional Soviet caution in this respect but appears rather to have been based on a very profound miscalculation on the part of the Kremlin as to what U.S. reaction would be. The unwillingness of the Soviet Union to risk the maintenance of Soviet power in Russia for the sake of the acquisition of new positions in the world does not in any sense mean that the Soviet Union will not use armed force under certain circumstances to repell an armed threat, either to the Soviet Union, or to areas which it now controls. The history of the Soviet Union, in particular, the small undeclared wars fought with Japan at Changkufeng in 1938 and at Nomahan in 1939 are striking examples of the willingness of the Soviet Union, while basically desiring to avoid a general war, to use armed force to meet an armed threat to its frontiers. If this analysis is correct, the chief danger of general hostilities in the foreseeable future would appear to lie in the possibility of a Soviet misjudgment as to the action this country would or would not take in a given local situation rather than from any Soviet plan to initiate general hostilities. The clarity, there-

549-782—79——12

fore, of the U.S. position as to what we would or would not do in a local situation will probably be the determining factor in the Kremlin's eyes as to whether or not to risk further local aggression in the manner of Korea. In short, it is not Soviet policy that has undergone any appreciable change since the end of World War II, but merely that the circumstances under which it has operated have been infinitely more favorable to Soviet purposes than in the period preceding the war. It is these changed circumstances and the polarization of power between the Soviet Union and the United States, the points of pressure between the two worlds that have brought about the continuing and real danger of World War III rather than a new element in Soviet policy. This distinction is important since it recognizes that U.S. actions are equally determinant with Soviet policies in diminishing or enhancing the possibility of an outbreak of general hostilities which would not be the case if the thesis of a Soviet blueprint, plan or program for world domination was accepted as the chief guide to Soviet actions.

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PPS Files, Lot 64 D 563

*Memorandum by Mr. Henry Koch, Member of the Policy Planning Staff, to the Deputy Director of the Staff (Ferguson)*

TOP SECRET [WASHINGTON,] August 24, 1951.

Subject: Review of U.S. Programs for International Security

The discussions our Staff has been having with Chip Bohlen seem to me to have been especially productive in clarifying our thinking with respect to certain aspects of Soviet intentions. My understanding of Chip's position is that he does not challenge the conclusion of NSC 114/1 that it is essential for the free world to strengthen its defenses and obtain a more adequate military posture, but questions the validity of the present reasoning of our Government concerning Soviet intentions. Although I am quite certain that the drafters of NSC 68 in thinking about Soviet "design" did not envision a carefully laid out blueprint covering a time-table for future acts of aggression in various parts of the world, it is nonetheless apparent that many government officials here in Washington are now acting as if the Kremlin had such a time-table and were relentlessly pursuing a predetermined course toward world domination. My inclinations are that even though it may be necessary for the administration to over-simplify Soviet intentions in appealing to Congress and the people for support of the defense program, it is nonetheless important that we in the Department and on the National Security Council do not become "hoisted by our own petard". We do not want to find ourselves in the position of the gambler at the race track who spread rumors about the excellent chances of a

broken-down nag in order to improve the odds on the horse which he considered the likely winner who at the last moment, influenced by the clamors of the crowd who had been stimulated by his own propaganda, shifted his bet from the winner to the nag who crossed the finish-line last.

In the analysis of Soviet intentions there is general agreement that the Soviets will move into political vacuums and positions of weakness to achieve positions of strength where the risk is not great. The difference of opinion arises from the judgment as to whether the Kremlin is fundamentally interested in protecting its home base or in pursuing a course to world domination. Chip believes in the former view and points as evidence to Stalin's refusal to put the Communist international movement ahead of the development of socialism within the Soviet Union. I am not too certain whether or not it is a profitable exercise to sort out the two because the Kremlin might believe that as the military strength of the free world expands and the Soviet Union tends to become surrounded by a ring of steel (U.S. air bases) it might be necessary for it to strike at the center of power that is forging the ring of steel lest they lose the power to implement their objectives and ultimately have to submit to the will of a foreign power. Then the threat to the U.S. would be equal under either of the two alternatives.

In any event in analyzing Soviet intentions I believe it is imperative to highlight (1) the Kremlin's suspicions nature and fear of attacks against itself and its home base; (2) the cautious nature and character of the present Soviet leaders; and (3) the doctrine of ebb and flow in Communist theory which allows the Kremlin to pursue its aims if necessary slowly and to reverse its policies when met with strenuous opposition. In examining Part I of the October 1 report currently being prepared under the leadership of CIA, care should be taken to ensure that these aspects are brought out sufficiently.

There appeared to be general agreement in our discussions with Chip that there was a great danger that accidents or miscalculations might develop unexpectedly into a global war. Chip pointed out several examples of serious miscalculations made by the Kremlin, e.g., the Finnish War, the Hitler Alliance. There are two sides however to this coin and we might be the ones to make miscalculations which might bring on a general war, e.g., U.S. air bases abroad, admission of Turkey to NATO or large-scale German rearmament.

In analyzing the problems connected with relative atomic capabilities, our discussions with Chip so far have not clarified in any marked degree my understanding concerning Soviet action at such time as it achieves the ability to deliver a hundred atom bombs on selected U.S. targets. We tend to say that the Kremlin would not willfully start a global war unless it believed the Soviets ultimately would win such a war. That means the USSR would want to be assured that it

could knock out US industrial capacity upon which the free world depends to conduct a global war. However, would the Russians accept the risk of global war if they believed they could not ward off a retaliatory atomic attack which would destroy the home base of the Kremlin? Can in fact a dictatorship which relies on the secret police to retain itself in power take the risk of having its elaborate apparatus destroyed at home? Can the Kremlin move to, say, Berlin or Paris and maintain control of the Communist international movement and its own people? We must have an answer to these questions before we can predict with any assurance whether or not the Soviets *will* launch a global war at such time as they obtain the power to deliver a decisive blow to the United States. If these questions cannot be answered, the most that can be concluded is that the Soviets *might* embark on a global war.

In appraising the adequacy of the U.S. programs, it is essential to have clearly in mind whether our assumptions are based on the estimate that the Soviets *will* or *might* launch a global war under the above conditions in view of the fact that current intelligence estimates conclude that Soviet atomic capabilities will achieve the degree of readiness needed for such an attack by June 30, 1953. If we were certain that the attack were coming by such a close target date, we would have no choice but to go to full mobilization at once and to knock the heads of NATO nations together to obtain far greater results. On the other hand, if we concluded that the Soviets would not necessarily go to war at the target date then a selective approach to rearmament would be in order and we would not want to push our Allies too far. Of course the complicating factor is that we are not dealing in absolutes but rather in relatives. Thus as we increase our defensive strength, we are in fact postponing the date at which the Soviets would have the atomic capability of inflicting serious damage to the United States. Current studies being undertaken to estimate U.S. vulnerability will be most valuable in formulating U.S. judgment on this most urgent problem.

The matter of selective rearmament is not in fact a new concept. It seems to me that the military have been doing this very thing for the last several years. I therefore believe that the real problem is not to decide whether or not we should embark on selective rearmament, but whether we should (1) go to full mobilization at once, or (2) concentrate on creating a condition of greater military readiness at the expense of establishing a mobilization base if the two could not be accomplished concurrently. By a condition of readiness, I include a stockpile of military hardware commensurate with Soviet stockpiles of similar items as well as the construction of more fighter intercepters, larger radar warning net, bomb shelters, underground factories, dispersal of industry and government agencies and the like.

*Recommendation*

I would like to recommend that we take advantage of Chip's singular knowledge of Russia and the Kremlin in order to try to crystallize our views on whether or not the Kremlin would launch a global war with the knowledge that their own base would be devastated even though their expectation of final victory were high. The answer to this question would determine whether or not we should go to full mobilization at once.

I also believe that we should analyze further those courses of action which the free world may take which might be regarded by the Kremlin as such a serious threat to the security of the Soviet Union that it would embark on a global war even though ultimate victory may be in doubt.

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PPS Files, Lot 64 D 563

*Memorandum by Mr. Robert P. Joyce to Mr. Henry Koch* [1]

TOP SECRET [WASHINGTON,] August 28, 1951.

I refer to your memorandum attached hereto of August 24, 1951 [2] on the general subject of what was discussed with the Staff last week with Chip Bohlen. I think that your memorandum represents another step in the clarification of our thinking with regard to the important and difficult subject of Soviet capabilities and intentions ("The Kremlin Design" discussed in the NSC 68 Series).

I attach hereto the Top Secret Circular Airgram of August 24, 1951 [3] which you will note was sent to our diplomatic missions at Moscow, London, Paris, Rome, Vienna and to HICOG at Frankfurt. This Airgram is produced once a week by the so-called Watch Committee which I understand operates under OLI and is composed of intelligence representatives from the three armed services, the Office of the Secretary of Defense, the JCS and the Department of State. I particularly call your attention to paragraph 1 of the Conclusions of the attached message.[4] I believe that this same paragraph has appeared in identical or virtually identical language over a period of many months. I believe that the language reflects certain thinking and creates the impression on the reader that the Soviet Union is poised for a global war, is willing to risk it at any time and does not propose to

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[1] Members of the Policy Planning Staff.

[2] *Supra.*

[3] Not printed.

[4] The paragraph reads as follows: "The Soviet Armed Forces in being are in an advanced state of readiness for war and could initiate offensive operations with little or no additional warning. Military and political indications are that the Communists intend to insist upon a solution of controversial problems strictly along lines which further Communist world objectives. There are no indications that the Soviets and their Communist allies, in pursuing their major objectives, intend necessarily to avoid actions which might precipitate global hostilities."

compromise in its endeavor to obtain "Communist world objectives". Is the actual situation as flat and easy as that?

I wonder if you have read the Moscow Embassy's Top Secret Despatch No. 626 of April 25, 1951 entitled "Embassy Estimate of Soviet Intentions"? [5] Every year the Embassy at Moscow produces in the Spring a similar despatch which represents the combined efforts of the political and economic sections of the Embassy as well as the various service attachés. In our re-examination into Soviet capabilities and intentions I believe that this despatch should be very closely studied.*

It would be my suggestion that you may care to pass this memorandum on, together with its two attachments, to Chip Bohlen as representing a further step in our efforts to clarify and make more precise our thinking as to what goes on in Uncle Joe's mind.

ROBERT P. JOYCE

[5] Partial text is included in documentation on United States relations with the Soviet Union in volume IV.

*If revision of 68 and 114 language is gone into, I need not point out that an analysis from *Moscow*, over the signature of *Admiral* Kirk concurred in by *General* — and Col. — is pretty good stuff to use in bringing along the military in Washington. [This handwritten footnote, including italicized words, appears in the source text. It is signed "Bob."]

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S/S–NSC Files, Lot 63 D 351, NSC 114 Series

*Memorandum by the Counselor (Bohlen)*[1]

TOP SECRET [WASHINGTON,] September 21, 1951.

While I still more than ever hold to the view that it is futile and dangerous to attempt to indulge in metaphysical speculations on general Soviet intentions, after going over the present draft,[2] I would suggest the following revisions in the event that it is decided by the Department that such speculation is necessary:

I would eliminate *in toto* the section preceding Part I. In virtually every line there is a strong reaffirmation of all the assumptions in the 68 series, including by specific quotation the thesis of "Kremlin design for world domination", and in its closing paragraph it reasserts that this is the proper guide for the evaluation of future developments in the world.

Paragraphs 7 through 10 of Part I, which deal with best information or factual data, I would leave unchanged.

[1] Department of State Representative on the Senior Staff of the National Security Council.

[2] Reference is to a preliminary draft of report NSC 114/2, presumably that prepared by a drafting group and circulated to the Senior Staff of the National Security Council on September 21. The September 21 paper is not printed. For the partial text of NSC 114/2, "United States Programs for National Security," October 12, see p. 182.

Paragraphs 10 through 20 I would suggest eliminating, although some of those paragraphs contain language which I myself suggested. I think there are a number of contradictions—for example, implications in paragraphs 10 and 11 that the Soviet rulers would not risk the Soviet state for revolutionary gain and the statement that the Soviet system requires the dynamic extension of its authority. This latter statement implies that there are impulses other than revolutionary which require this expansion. The sentence in paragraph 11 to the effect that the chief reason why the Soviet regime would not undertake the risk to its maintenance of power in Russia because it would endanger the base for world revolution clearly seems to support the thesis that the *raison d'être* of the Soviet Union is to further world revolution, i.e., that their only interest in holding power in Russia is because it is the base of world revolution and not for its own sake.

I would substitute for these paragraphs, 10 through 20, the section beginning as follows:

"While the assumptions contained in NSC 68 and subsequent papers of the same series concerning the Soviet Union in its attitude and probable actions in the present world situation contain much that is sound, nevertheless, developments since April 1950 have perhaps pointed up sharply the difficulty, if not impossibility, of laying down certain fundamental principles as a guide to the interpretation of Soviet actions and basis for forecasts of future actions. It must be recognized that the attitude and actions of the Soviet Union in relation to Korea, which is unquestionably the most serious development in the world situation since the end of World War II, have not in every respect coincided with the hypotheses and analyses contained in the NSC 68 series. These discrepancies do not indicate that the given analyses were necessarily less faulty than any other generalized theses, but rather indicate the defect of an attempt to lay down in advance principles or rules which the Soviet Union could logically be expected to follow. Soviet actions in Korea and their subsequent attitude to the United States' response to the challenge served to underline the extraordinarily pragmatic and opportunistic nature of Soviet policy and the absence of any fidelity to a blueprint, or even design. Such a conclusion by no means reduces the danger of the present period to the United States. On the contrary, it tends to make the danger more continuous since it enhances the possibility of general war arising through either a miscalculation on the part of either one of the principal powers of the world—the Soviet Union and the United States—or the equally great danger that local situations could so develop through a process of action and reaction as to render war in the eyes of either one of these two powers preferable to any alternative course open to either one.

It would appear sufficient for the justification of our military buildup, as rapidly as it can be done without serious damage to the economies of the free world, to accept as a basis certain unassailable facts concerning the Soviet Government and the areas of the world controlled or directed by it. Confronted by a heavily armed great power, which by its basic doctrine and the form of its state organiza-

tion is implacably and unappeasably hostile to the United States and other free countries, no complicated analysis of ideological considerations is necessary to support the conclusion that the United States and its allies in elementary survival must develop adequate defensive strength—adequate in the sense of being able to hold essential positions against Soviet attack, while mobilizing to inflict a military defeat on the Soviet system. It is likewise obvious that the sooner this state of preparedness could be reached the better, from the point of view of security in the face of the Soviet bloc. The rate of tempo of our armament buildup should be more related to what the economies of the free world can support without retrogression and this should be the controlling factor rather than any timetable based upon probable Soviet intentions and capabilities.

It is axiomatic that when one group of powers seeks to close a dangerous disparity in its armed strength in relation to another group of powers, a period of danger by that factor alone is to be anticipated. The diplomatic arm of the United States should be utilized in this period in such a fashion as to minimize rather than intensify the danger of a general war resulting from a Soviet response to what they might regard as an increasing threat to their existence."

I would then continue the remainder of Part I and paragraphs 22 through 37 could remain unchanged.

The statement in paragraph 39 that two or three years from now would justify the conclusion that the most critical and dangerous period had been passed is doubtful and may be in contradiction to the estimate of increase in Soviet atomic power and ability to deliver the bomb.

I have no special comments on Part II and I would leave it as it stands. Since it is, in effect, the main core of the paper and is, I think, sound, my first suggestion would be that this in itself, with a short introductory section, would be adequate as the part preliminary to the discussion of the actual programs.

CHARLES E. BOHLEN

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S/S–NSC Files, Lot 63 D 351, NSC 114 Series

*Policy Planning Staff Memorandum* [1]

TOP SECRET [WASHINGTON,] September 22, 1951.

RE MR. BOHLEN'S MEMORANDUM OF SEPTEMBER 21 [2]

There seem to me to be two explicit questions and one implicit question raised by the Bohlen memorandum of September 21. The two explicit questions are:

1. Whether, in an NSC paper, there is any utility in speculating on probable Soviet intentions, and

[1] Presumably drafted by Paul H. Nitze, Director of the Policy Planning Staff, for the Secretary of State.

[2] *Supra.*

2. What can be said about these intentions if the answer to the first question is affirmative?

The implicit question is whether the risks involved in our relations with the Soviet Union are such as to warrant the effort and the sacrifices, both economic and political, envisaged by the programs undertaken in the last 18 months and by such programs as they are currently being modified.

I. *The Utility of Including an Analysis of Soviet Intentions in an NSC Paper*

It seems to me to be clear that Soviet action, however opportunistic, cannot be and is not taken except on the basis of certain objectives which we have to try to define for ourselves as clearly and accurately as we can. It seems equally clear to me that no action can be or is taken by us except on the basis of some assumption about Soviet intentions, whether that assumption is implicit or explicit.

With the U.S. Government organized as it is, it is both necessary and useful to be as precise as possible in this difficult and complicated field and to seek an extensive comprehension of and agreement with our analysis throughout the Government. It is not possible for the President or the Secretary of State to control individually every relevant action undertaken by the U.S. Government. If the State Department, as well as the JCS and the rest of the Defense Establishment, the CIA, the ODM, Civilian Defense, ECA, etc., are to pull together, we need more agreement rather than less on certain fundamental points, of which probable Soviet intentions is certainly one. If every government official arrives at conclusions based on differing and personal images of the Soviet Union, the policy of the United States will soon be in a chaotic state.

I doubt whether any of the work which the NSC has been doing in the last two years, which I consider to have been useful, could continue if the view is adopted that no agreed, explicit analysis of Soviet intentions should be attempted. I assume, from his memorandum, although the implication is otherwise, that Chip would be agreeable to the inclusion in NSC papers of a general statement of Soviet intentions to the effect that the Soviet Union is "a heavily armed great power, which by its basic doctrine and the form of its state organization is implacably and unappeasably hostile to the United States and other free countries". What Chip appears to object to is an attempt to analyze Soviet intentions beyond these very broad generalizations. Surely the State Department has an obligation to give somewhat more precise guide lines for dealing with the problems confronting the U.S. Government.

II. *What Can be Said About Probable Soviet Intentions*

The Bohlen memorandum suggests a considerable revision of the draft NSC paper under discussion, if it is to include any extensive

analysis of Soviet intentions. These revisions must rest on a disagreement with the paper, but it is difficult to isolate the disagreement.

The specific objections appear to be to any concept of a "Soviet design for world domination"; any idea of a Soviet "blueprint" or "timetable" for the achievement of that goal; any idea of a Soviet impulse toward "dynamic extension of their authority" in the direction of achievement of that goal; and, for that matter, any "metaphysical speculations on general Soviet intentions".

It might be helpful to determine the area of common agreement in order to isolate the area of disagreement.

It is agreed that: (1) the Soviet Union is "implacably and unappeasably hostile" to the Free World; (2) the Soviet Union will act opportunistically in the light of this implacable hostility; and (3) there is a great disparity between the present capabilities of the two opposing systems—a disparity unfavorable to the West except with respect to atomic energy and, even in that respect, our relatively favorable position is being reduced.

If we accept as facts that the U.S.S.R. is implacably hostile, that they have dangerously superior relative capabilities for local or limited actions, and that they will act opportunistically, then it seems to me that the unavoidable conclusion is that the U.S.S.R. will exercise their capabilities at any time and place they conceive to be favorable to them. If the relative capabilities of the West should decline still further, then it seems to me you would have to conclude also that the Soviet Union would continue to exercise their capabilities as favorable opportunities presented themselves until all possibility of a serious threat to the U.S.S.R. had been overcome. I do not consider this a "metaphysical" analysis of Russian intentions, and I do think it supports the view that the U.S.S.R. has an impulse to an extension of their authority and the objective of removing all serious threats to them which, in the long run, would amount to a domination of the world.

As I read them, the suggested revisions in the Bohlen memorandum could lead to these conclusions, but I assume Chip must believe there are certain unspecified limitations on the "implacable hostility" of the U.S.S.R. and the "pragmatic and opportunistic nature of Soviet policy".

The remaining specific objection in the Bohlen memorandum relates to the idea of a "blueprint" or "timetable". We also reject this idea, as does the draft paper.

III. *Are the Risks Involved in Our Relations With the U.S.S.R. such as To Warrant the Effort and the Sacrifices Envisaged by the Programs Now in Effect or as Currently Being Modified*

If the Soviet impulse to a "dynamic extension of its authority" does not exist or exists in only a very limited sense, and if the Soviet Union does not seek to dominate the world by controlling or rendering im-

potent all power opposed to it, then the sacrifices, both economic and political, envisaged by present programs and modifications of them currently under review might be unwise and even unnecessary.

In his suggested revisions of the draft NSC paper, Chip states that it is "obvious that the sooner this state of preparedness could be reached the better" but "the rate of tempo of our armament build-up should be more related to what the economics of the free world can support without retrogression and this should be the controlling factor rather than any timetable based upon probable Soviet intentions and capabilities".

There is nothing in the draft paper inconsistent with the idea that the tempo of the military build-up in the free world must bear a close relation to the ability of the economies of the free world to support the build-up. In fact, the draft states that "there are, in short, definite limits to the size of the defense effort each European country can safely make—that is, limits which cannot be exceeded without risking internal difficulties which would prejudice the total effort". The most rapid way to achieve a build-up may be to go slow for a while, and this is the problem that will undergo a careful review of the "Wisemen".[3]

There may be, however, a considerable difference in the sacrifices the free world decides are necessary if we determine our programs without a close regard for Soviet intentions and capabilities.

If we can assume Soviet intentions are not aggressive and their capabilities will not be used opportunistically to expand and extend Soviet authority, our build-up will have very little bearing on our position. But if that assumption is wrong, the tempo of our build-up, and the sacrifices it will involve, are directly related to our ability to limit Soviet freedom of action and increase our own, so that while we might conclude that any increased sacrifices would be unwise at present, we would come to that conclusion only after a careful balancing of the disadvantages of continuing the disparity of capabilities and the dangers that would exist in the meantime as a result of Soviet intentions.

It is, therefore, the question implicitly raised in the Bohlen memorandum that indicates most vividly the necessity for a generally accepted analysis of Soviet intentions and demonstrates most clearly the inadequacy of relying on such generalizations as the "implacable hostility" of the U.S.S.R.

I have not included in this memorandum certain additional difficulties that I have with some of the specific revisions suggested in the Bohlen memorandum, but in general they relate to Chip's comments on the NSC 68 series which do not seem to me to be supported by any information I have.

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[3] Reference is to the executive body of the Temporary Council Committee of the North Atlantic Treaty Organization. For documentation on U.S. participation in NATO, see vol. III, pp. 1 ff.

PPS Files, Lot 64 D 563

*Memorandum by the Assistant Secretary of State for Inter-American Affairs (Miller) to the Executive Secretary of the Policy Planning Staff (Watts)*

TOP SECRET [WASHINGTON,] September 22, 1951.

Subject: United States Programs for National Security.

I return herewith copy No. 97 of document entitled, "United States Programs for National Security" and attachments.[1] This document is returned without comment on the part of ARA since there is no reference in the document to the area with respect to which ARA has responsibility and, in fact, this area appears to be specifically excluded in paragraph 22 on page 16 of the document which enumerates the areas of the world of importance in building strength.

In returning the document without comment as to its text, however, I hope that I may be permitted to express once again the astonishment of ARA over the persistence in excluding Latin America from any consideration whatever in world strategy. It is beyond our comprehension how we can classify U.S. national territory as of basic strategic importance and not include Mexico; how we can include Iran as of basic strategic importance and make no reference to Venezuela, which is today producing nearly 1,800,000 barrels of petroleum a day and is capable of producing much more; how it is possible to include the Near East as a strategic area and make no reference to the Panama Canal; in substance, how it is possible to consider global strategy without taking into account in any way an area which because of geographical proximity, entirely aside from ideological considerations, would appear to merit consideration in the preparation of papers such as the attached.

In the meantime, the greatest possible care should be taken that a document which purports to review world strategy without referring to Latin America be preserved in the greatest possible secrecy so as to avoid repercussions which would attend any leakage of this document both from the standpoint of U.S. public opinion and the relations of the United States with Latin America.[2]

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[1] Reference is to a preliminary draft of NSC 114/2; for partial text of the final report, see p. 182.

[2] For documentation on U.S. relations with the American Republics, see vol. II, pp. 925 ff.

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711.5/9-2551

*The President to the Secretary of State*

SECRET WASHINGTON, September 25, 1951.

MY DEAR MR. SECRETARY: By virtue of the National Security Act and by specific directive from me, the Chairman of the National

Security Resources Board is responsible for coordinating the development of plans to assure the continued and efficient operation of Government under times of emergency such as enemy attack.

Advanced planning and predetermined patterns of operation will greatly facilitate the security of the Executive Branch and will go a long way toward avoiding even temporary collapse of essential Government operations under such conditions.

When the dispersal program which I requested was not enacted by the Congress, the Chairman of the National Security Resources Board redoubled his efforts to complete an interim emergency plan of operation. Certain agencies, including yours, whose continuous operation during time of emergency is essential, were brought together in an *ad hoc* committee for the purpose of further developing and coordinating agency plans. I understand that Mr. William G. Wright represented the Department of State.

Because of the importance of this work, members of my staff have been working closely with the Chairman of the Resources Board. I have recently been over existing plans. In the main, I find considerable progress has been made. Further steps need to be taken, however, and I am anxious that maximum planning be completed now.

I have asked Mr. David H. Stowe of my staff to discuss this matter with you. Mr. Stowe will be able to go into more detail and if you have any questions, I am sure he can be of assistance to you.

Sincerely yours, HARRY S. TRUMAN

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PPS Files, Lot 64 D 563

*Memorandum by the Counselor (Bohlen) to the Secretary of State*[1]

TOP SECRET [WASHINGTON,] September 25, 1951.

There is one point I feel I must make and make very clearly in regard to the current discussion on the NSC 68 series. The issue is extremely simple and should not be clouded by considerations such as those advanced in the S/P memorandum to you[2] or in the discussion with you yesterday concerning European attitude or [*of?*] whether sacrifices etc. of rearmament are justified. Those fall into another category and should be considered separately.

*The only issue here is whether or not the NSC 68 analysis of the Soviet Union is sufficiently accurate to serve as a guide for U.S. Government interpretation of Soviet actions and for an estimate of probable future Soviet moves.* My entire position is that it is not; that it is not a true picture of how the Soviet Union operates insofar as I have

[1] Copy transmitted to Nitze.

[2] Reference is presumably to the memorandum of September 22, p. 172.

observed it and studied it. Furthermore, I contend that Soviet actions since April 1950 do not fall harmoniously within the analysis of NSC 68. It must be recalled that NSC 68, the master paper on the Soviet Union, was completed less than three months before the Soviet Union took its most important single action since the close of hostilities, i.e., Korea. Yet NSC 68 would not set anybody's mind to think of the probability of such type action on the part of the Soviet bloc. In fact, as I read it, it rather tends to the thought that isolated actions of this character are less rather than more likely in the light of the general Soviet design. Furthermore, it seems to me that the significance of Korea and Chinese intervention particularly has been analyzed in the light of NSC 68 rather than as checks to determine the validity of the general thesis. In short, I repeat, there is one issue and one only, and that is whether or not this is an accurate analysis of the way the Soviet Union operates in international affairs.

CHARLES E. BOHLEN

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G/PM Files, Lot 68 D 349 [1]

*Paper Approved by the Psychological Strategy Board*

RESTRICTED [WASHINGTON,] 28 September 1951.

PSB D-4 Revised

ROLE OF PSYCHOLOGICAL STRATEGY BOARD UNDER 4/4/51 PRESIDENTIAL DIRECTIVE [2]

The President's Directive creates the Psychological Strategy Board to provide more effective planning of psychological operations within the framework of approved national policies, to coordinate the psychological operations of all departments and agencies of government, and to evaluate the effectiveness of the national psychological effort.

The members of the Board are the Under Secretary of State, the Deputy Secretary of Defense, and the Director of Central Intelligence. The Director, appointed by the President, sees that the decisions of the Board are carried out. A representative of the Joint Chiefs of Staff sits with the Board as its principal military adviser; and the Board may add to its number from time to time appropriate representatives of the heads of other governmental units.

The Board is the nerve-center for strategic psychological operations. At the apex of government, it provides a focal point for assuring the planned use by all governmental units of activities to influence the

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[1] Subject files maintained by the Office of Deputy Assistant Secretary of State for Politico-Military Affairs for the years 1950–1967.

[2] *Ante*, p. 58.

opinions, attitudes, emotions and behavior of foreign groups in ways that will support the achievement of our approved national aims. Through the Board, the President is enabled to turn to one body, instead of many, for a prompt assessment of these psychological operations—as to magnitude, emphasis, pace, effectiveness, and responsibility for execution. Thus, a unified base is afforded from which to take from an enemy the initiative in psychological operations.

The Board itself does not engage in operations. It is not concerned with day-to-day problems arising in the psychological field, except as they may affect progress toward major strategic objectives. The Directive reposes in the Board the responsibility for overall psychological policies, objectives, and programs, and their coordination among the various departments and agencies; provides for adjustments to be made by such departments and agencies in their existing arrangements in this regard; and amends previous National Security Council instructions to that extent.

*To execute its role:*

1. The Board will prepare, in order to determine the framework of its action under the Directive, an inventory of those approved national policies which may directly or indirectly involve psychological operations; recommending to the appropriate agencies the adoption or development of such additional policies as may directly or indirectly involve psychological operations.

2. In support of such approved national policies, the Board will formulate and promulgate overall policies, programs, and objectives for psychological operations; including overall strategic plans in such detail as to enable operational planning by departments and agencies.

3. The Board will stimulate all departments and agencies engaged in operations having psychological aspects, to set up effective psychological operational plans:

*a.* by assigning to such departments and agencies the preparation of psychological operational plans to carry out any part of such overall strategic plans as to which no psychological operational planning has been initiated;

*b.* by reviewing all psychological operational plans already initiated by departments and agencies in order to assure that they are consistent with such overall strategic plans, determining those plans which may be left to the initiating departments and agencies without further action by the Board and those plans as to which the Board should take some further action.

4. The Board will determine as to the various psychological operational plans: (1) emphasis, (2) priority, and (3) pace.

5. The Board will coordinate the execution by departments and agencies of all such plans within the framework of overall strategic plans.

6. The Board will evaluate the programs of departments and agencies and their execution through psychological operational plans, in terms of effective accomplishment of the national psychological effort; selecting programs and plans for evaluation which are most important to the attainment of national objectives.

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S/S–NSC Files, Lot 63 D 351, NSC 68 Series

*The Counselor (Bohlen) to the Secretary of State*

TOP SECRET [WASHINGTON,] October 9, 1951.

MR. SECRETARY: I think it is necessary to put the present discussion concerning the Soviet analysis of the 68 series in perspective. When I was brought back here in April 1950 specifically, I believe, to consult on the original 68 paper, through no fault of the Department, when I actually arrived, the paper had already gone to the President at his request, to the Joint Chiefs of Staff and Secretary Johnson, and had received general approval. I was therefore told that, in the circumstances, no fundamental revision would be possible and only drafting changes could be considered. Since, as I indicated in my memorandum at the time,[1] I was in hearty accord with the need of a military buildup, in the circumstances, I confined my suggestions to what I thought was the most outstanding error of commission in the paper, namely, the "fundamental design of the Kremlin" etc. thesis. I think I should say that I most certainly would have gone into the entire paper even then had it been in the stage of preparation. I point this out since it is not quite accurate to state that my only objection to this paper is confined to the phrase concerning "fundamental design", although, even on that point, I think the thought expressed in that phrase colors in many respects the entire approach. To cite one example, on page 20, the first sentence, as written, leaves clearly the impression that the Soviet Union is primarily concerned with Western countermeasures because such measures would interfere with "the accomplishment of its over-all objectives" and only secondarily with the possible threat, in their eyes, to the Soviet Union.[2]

It has not been my intention, either in April 1950 or since my return here, to pick holes unnecessarily in as controversial a subject as the Soviet Union, but if the major issue is to be stated, I think an equally great deficiency in the paper is its omissions. It totally ignores, except

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[1] Bohlen's memorandum of April 5, 1950, is printed in *Foreign Relations*, 1950, vol. I, p. 221.

[2] Bohlen's comments were directed to an antecedent draft of report NSC 114/2, October 12. The draft has not been identified specifically. For partial text of NSC 114/2, see *infra*.

for one brief phrase buried on page 20, the role of the Soviet internal situation in Soviet policies and actions. I believe there is powerful evidence in the history of the Soviet Union to show that the internal situation is the single greatest controlling force in its foreign policy; yet this is virtually ignored in the entire 68 series, and anyone reading this paper would inescapably conclude that the opportunity, risk and the strength of its opponents are the only factors controlling and affecting Soviet actions. No attempt whatsoever is made to analyze the great body of Soviet thought in regard to war between states or the even more elementary fact that any war, whether the prospect of victory be dim or bright, carries with it major risks to the Soviet system in Russia. The fact of war alone, its attendant mobilization, added strain on an already strained economy, exposure of Soviet soldiers to external influences, the entire problem of defection, the relationship of party to Army, the question of the peasantry and many other factors, which I am convinced are predominantly present in Soviet thinking on any question of war, are either ignored or treated as insignificant. In short, it would appear that this series, designed merely to justify the need for military buildup, strays in a rather superficial and unnecessary manner away from incontestable truths which afford ample justification for military buildup. On the other hand, if it has come to be in the U.S. Government the master analysis of the Soviet Union and hence a guide for the interpretation of Soviet actions and a basis for forecasting such actions in the future, it is an inadequate and unbalanced picture of the Soviet Union, if only for the omissions outlined above.

My recommendation as to the way out of this difficulty would be:

1. that the present NSC 68 paper should stick to its terms of reference, i.e., the justification of the U.S. military programs;
2. that a more balanced and exhaustive study be undertaken in regard to the Soviet Union as a guide to probable Soviet actions in the world. This study might be undertaken with the help of some consultants who have had experience in the Soviet field.[3]

C[HARLES] E. B[OHLEN]

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[3] The following handwritten notation by Bohlen appears below his signature: "I would like very much at your convenience to have a little time to discuss this question with you."

549-782—79——13

S/S–NSC Files, Lot 63 D 351, NSC 114 Series

*Report to the National Security Council by the Acting Executive Secretary (Gleason)*[1]

TOP SECRET

WASHINGTON, October 12, 1951.

NSC 114/2

UNITED STATES PROGRAMS FOR NATIONAL SECURITY

NOTE BY THE EXECUTIVE SECRETARY

References: A. NSC 68 and NSC 114 Series [2]
B. NSC Actions Nos. 483 [*487*] and 523 [3]
C. Memo for NSC from Executive Secretary, subject: "United States Objectives and Programs for National Security", dated July 12, 1951 [4]
D. Memo for NSC from Executive Secretary, subject: "Status and Timing of Current U.S. Programs for National Security", dated August 9, 1951 [5]
E. Memos for NSC from Executive Secretary, same subject, dated September 25 and October 12, 1951 [6]

The enclosed draft report on the subject, prepared by the Senior NSC Staff with the advice and assistance of representatives of the Department of Commerce, the Economic Cooperation Administration, the Federal Civil Defense Administration, the Bureau of the Budget, the Council of Economic Advisers, the Interdepartmental Intelligence Conference, and the Interdepartmental Committee on Internal Security, is submitted herewith for consideration by the National Security Council as a preliminary response for the second of the two reports called for by the President's directive attached to the reference memorandum of July 12, 1951.

The Attorney General, the Secretary of Commerce, the Acting Economic Cooperation Administrator, the Federal Civil Defense Administrator, the Director, Bureau of the Budget, and the Chairman, Council of Economic Advisers, are being invited to participate with the Council, the Secretary of the Treasury and the Director of Defense

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[1] For information on the action taken by President Truman with respect to this report, see Record of Actions by the National Security Council at its 105th Meeting, October 17, p. 235.

[2] For reports in the NSC 68 Series, see *Foreign Relations*, 1950, vol. I, pp. 126 ff. For text of NSC 114/1, August 8, 1951, see p. 127.

[3] The pertinent portion of NSC Action No. 487 is described in footnote 4, p. 128. In Action No. 523, taken at its 99th Meeting, August 8, the National Security Council adopted report NSC 114/1 (NSC Action No. 523: S/S–NSC Files, Lot 66 D 95).

[4] *Ante*, p. 101.

[5] *Ante*, p. 157.

[6] Neither printed.

Mobilization in action on the enclosure at the Council meeting on October 17.

The following are also being circulated under separate cover for Council information in connection with the enclosure: seven related annexes to NSC 114/2,[7] prepared by the departments and agencies indicated therein; and a Special Estimate on "Probable Developments in the World Situation through Mid-1953" (SE-13),[8] prepared by the Central Intelligence Agency with the concurrence of the Intelligence Advisory Committee, as Appendix A to the enclosure.

S. Everett Gleason

[Enclosure]

Table of Contents

Introduction
Part I, Probable Developments in the World Situation
Appendix A to Part I, "Probable Developments in the world Situation through Mid-1953" (Special Estimate, SE-13, prepared by the Central Intelligence Agency with the concurrence of the Intelligence Advisory Committee, and circulated separately by memo for NSC from Acting Executive Secretary, subject: "United States Programs for National Security", dated October 12, 1951)
Part II, Summary Descriptions of Programs [9]
Part III, Summary Tabulation of Tentative Estimates of Obligational Authority [9]

Annexes [10]

(Circulated under separate cover as Annexes to NSC 114/2)

No. 1. *The Military Program*
(Prepared by the Department of Defense)
No. 2. *Foreign Economic and Military Assistance Program*
(Prepared by the Committee on International Security Affairs)
No. 3. *The Federal Civil Defense Program*
(Prepared by the Federal Civil Defense Administration)
No. 4. *The Stockpiling Program*
(Prepared by the Department of Defense and the Office of Defense Mobilization)
No. 5. *The Information Program*
(Prepared by the Department of State)

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[7] See list of annexes below.
[8] Dated September 24, p. 193.
[9] Not printed.
[10] For Annex No. 2, see p. 412; for Annex No. 4, see p. 208; for Annex No. 5, see p. 942; the other annexes are not printed.

No. 6. *Foreign Intelligence and Related Activities*
(Prepared by the Central Intelligence Agency with the concurrence of the Intelligence Advisory Committee)

No. 7. *Internal Security*
(Prepared by the Interdepartmental Intelligence Conference and the Interdepartmental Committee on Internal Security)

## Report by the National Security Council on United States Programs for National Security

### INTRODUCTION

1. The present tentative preliminary report is a step in developing the national security policy set forth in NSC 68,[11] which still stands as the fundamental statement of the threat to the security of the United States and of our strategy for meeting and eventually overcoming this threat. The purpose of the present report is to assist in making budgetary determinations for FY 1953 and preliminarily for FY 1954.

2. Part I of the present report is focussed on the developing power relationship between the Soviet system and the free world. This is because the rate of development of the atomic capabilities of the Soviet Union makes even more immediate than was recognized 18 months ago in the conclusions of NSC 68 the contingency that "within the next four or five years the Soviet Union will possess the military capability of delivering a surprise atomic attack of such weight that the United States must have substantially increased general air, ground, and sea strength, atomic capabilities, and air and civilian defenses to deter war and to provide reasonable assurance, in the event of war, that it could survive the initial blow and go on to the eventual attainment of its objectives."

3. Probable developments in the world situation in the next two or three years are profoundly affected by this new military capability of the Soviet Union. Therefore, it is primarily to the problem of military capabilities and their impact on national objectives, tactics, and intentions that the attention of this analysis is directed. This analysis does not lead to any fundamental revision of the broad strategy outlined in NSC 68 for developing a military shield and for developing behind that shield the political, economic and social strength of the free world. Rather, that task has become more urgent. The tentative national security programs set forth in Part II as the basis for budgetary determinations in FY 1953 are intended to contribute to

[11] NSC 68, "United States Objectives and Programs for National Security," April 14, 1950, is printed in *Foreign Relations*, 1950, vol. I, p. 234.

the attainment of our objectives both to develop a military shield as rapidly as practicable and to develop behind it the internal health and vitality of the free world. Conditions in the free world which have been considered in developing these programs are described in SE 13 which forms Appendix A to this report.

PART I—PROBABLE DEVELOPMENTS IN THE WORLD SITUATION

*Military Capabilities*

4. The Soviet system* now has formidable military capabilities. Despite its over-all economic inferiority in comparison with the free world,† the Soviet system has succeeded, by a concentration of effort on military preparedness and war-supporting activities, in maintaining large and well-equipped armed forces and in developing significant atomic, BW, and CW capabilities. The Soviet economy is at a high state of war-readiness and its productive capacity is at such a level and of such a character as to enable the Soviet system to maintain and develop its military capabilities and to maintain a major war effort.

5. At present the Soviet system has the military capability of overrunning continental Europe, the Near East, and Southeast Asia before the free world could mobilize and bring to bear forces adequate to halt the Soviet drive. Powerful blows could be struck by Soviet air and submarine forces against the U.K. and Japan, perhaps sufficient, together with BW, CW, and sabotage operations, seriously to reduce the usefulness of these positions as bases. The Soviet system does not now have adequate naval forces and sufficient shipping to enable it to make large over-seas amphibious type attacks. The air forces of the Soviet system are now capable of providing adequate tactical support to the ground forces. U.S. bases overseas could be brought under attack with atomic and other weapons. The Soviet long-range air force is capable of atomic attack on the United States and might achieve surprise in the initial strike. Sabotage and overt and clandestine BW and CW attacks could be employed against a variety of targets, including important military, industrial, and governmental targets in the United States. This estimate takes account of the capabilities, including atomic capabilities, to oppose Soviet forces and to attack the Soviet Union. It is not possible accurately to estimate the cumulative long-term effects which atomic attacks on the Soviet Union and on Soviet forces in the field would have on the Soviet war effort. These effects would undoubtedly be very great.

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* The term "Soviet system" is used to refer to the Soviet Union, Communist China, and the satellite states. [Footnote in the source text.]

†The term "free world" is used to refer to the United States, its allies, and friendly states. [Footnote in the source text.]

6. The Soviet system and the free world will both grow in military strength during the next three years. The following comparisons are made on the basis of existing programs without reference to those set forth later in this report:

*a.* The Soviet system will retain a heavy numerical superiority in ground forces on all fronts. The ground, naval and air forces of the Soviet Union are being steadily and substantially modernized. A major expansion of ground forces is expected in the Eastern European satellite states. By the fall of 1953 Soviet re-equipment programs will probably have been completed and these forces, despite some qualitative deficiencies, will probably be capable of limited independent operations with Soviet logistical support and of joint offensive operations with Soviet ground forces. The Chinese communist ground forces will probably not be expanded but may be materially strengthened with Soviet technical and material assistance. The air forces of the Soviet system can continue to provide good tactical support to the ground forces. In this connection, the increasing size and improving quality of the air forces at the disposal of the Chinese communists are ominous indications of Soviet capabilities in the air.

*b.* Soviet submarine and mine warfare capabilities, which are already large, will probably be considerably increased and will pose a threat to the U.K., Japan, and the support of land operations in Europe and the Near and Middle East. Nevertheless, the United States and the United Kingdom can maintain supremacy at sea and their development of anti-submarine defenses will probably be sufficiently advanced by mid-1953 to permit all necessary operations to be undertaken.

*c.* The foregoing Soviet capabilities have to be judged in relation to the increasing capabilities of the free world and to the vulnerabilities of the Soviet system which are outlined in paragraph 5 to 7 of SE–13. An estimate of free world capabilities in mid-1953 is complicated by continuing uncertainty over the size, timing and effectiveness of German and Japanese contributions, lack of agreement in NATO on the national forces that will be in place and operational by mid-1953, and uncertainty over the extent of the total productive effort of the free world during the next two years. It is not expected that the ability to use atomic weapons in support of defensive operations or any other development will make it possible to hold all of Western Europe by mid-1953. However, the expected increase in the availability and deliverability of atomic weapons for defensive operations will materially assist in offsetting the preponderance of Soviet forces over U.S., allied, and friendly forces in Europe. Taking account of terrain factors, Soviet logistical problems, and atomic developments, it is expected that areas of major strategic importance in continental Europe can be held by mid-1953. This estimate is based on the assumption that there will be a slippage of about one year in carrying out the MTDP. In the Near and Middle East the growing strength of the Turkish position and the terrain and logistical difficulties facing Soviet forces might make possible by mid-1953 the holding of certain strategically important positions. In the Far East the United States and its allies will probably continue to be capable of holding the offshore island chain.

*d.* It is estimated that the Soviet stockpile of atomic weapons. . . . ‡ There is every indication that during the period under review the United States will continue to maintain a marked atomic superiority— both in numbers and destructive power.

*e.* At present the Soviet long-range air force has an estimated combat strength of about 700 TU–4 medium bombers capable of one-way missions, carrying atomic bombs, to important targets in the United States. By mid-1952 it may have 1,000 and by mid-1953 1,200 TU–4's. It may also have by mid-1953 approximately 100 long-range bombers capable of round-trip missions against vital targets in the United States. It will probably have by this time substantial numbers of twin-jet high performance bombers capable of atomic attacks on Western Europe and U.S. overseas bases, and possibly a jet bomber capable of attacking the United States.

*f.* Although both Soviet and U.S. capabilities for air defense will be substantially improved by 1953, it appears necessary to assume that an attacking strategic air force will continue to be able to deliver on target a substantial proportion of the bombs sortied. It is believed that Soviet atomic capabilities are not sufficient at present to enable the Soviet Union critically to hamper our retaliatory striking power. There is a serious risk, under our present programs, that it might have this capability by mid-1953.

*g.* It was recognized in NSC 68 that even though the United States maintained a marked superiority in the size and destructive power of its atomic stockpile, the Soviet stockpile would represent a critical threat to U.S. security when the Soviet Union could inflict heavy casualties in the United States and do serious damage to the U.S. economy.

*h.* There are 54 major centers of population and industry in the United States. These contain approximately 40 percent of our total population (62 million persons) and nearly 50 percent of our industry. Given the present state of our civilian defenses, it appears that in a surprise attack at mid-day on our most highly concentrated urban areas, casualties of 175,000 or more per bomb would have to be expected. With warning and training of the civilian population, casualties could probably be reduced by at least one-half. With these and a large shelter program, a further substantial reduction of casualties would be possible. The dollar cost of such a shelter program would be relatively small in terms of effective defense.

*i.* Both the Soviet Union and the United States are developing BW and CW capabilities. The Soviet Union probably has sufficient stockpiles of nerve gas for sustained use and the capability of employing both nerve gas and biological warfare agents against selected targets.

7. Several conclusions seem to flow from the above analysis:

*a.* On the basis of present estimates the Soviet Union is rapidly developing an atomic capability which represents an increasingly serious threat to U.S. security. If the Soviet rulers feel increasingly confident that their atomic capabilities may be sufficient to deter us from strategic atomic attack, they will probably feel increasingly

‡ [Footnote in the source text not printed.]

confident about their ability to exploit their geographic position and preponderant ground and tactical air strength for local advantages without serious risk of general war.

*b.* The United States, its allies, and friendly countries are approaching a time when important strategic positions on the Eurasian continent might be held against Soviet attack. This capability might be achieved by mid-1953, but the defensibility of Western Europe as a whole is probably four years off.

*c.* When the Soviet Union attains an atomic stockpile sufficient critically to hamper our retaliatory striking power and at the same time to damage seriously our industrial cities, the importance of the Soviet stockpile will be entirely out of proportion to the relative size of the two stockpiles. The question of assessing the relative power positions of the two opposing sides and the risks of war become very complex, involving on both sides, among other factors, the advantages of surprise atomic attack, air defense capabilities, the vulnerability of retaliatory striking forces and their capabilities to inflict damage, and recuperative powers.

*d.* When the Soviet Union believes it has attained the capability of making an atomic attack which would critically hamper our retaliatory power and seriously damage our industrial base, the risk of a surprise attack will greatly increase. If the Soviet Union should deliberately initiate or provoke war with the United States, the most advantageous date, considering only relative military capabilities, would be a date when it had achieved an atomic capability sufficient critically to hamper our retaliatory power and seriously to damage our industrial base and when its superiority in ground and tactical air strength would be great enough to prevent the United States and its allies from holding areas on the Eurasian continent.

*e.* It follows from the foregoing that the Soviet Union, even if it should initiate or provoke war, might choose not to launch a strategic air attack with atomic weapons against the United States unless it could plan on critically hampering our retaliatory power, thereby nullifying the marked superiority of our stockpile. If general war breaks out before the Soviet Union has such a capability, it is therefore possible that the initiative with respect to strategic atomic warfare will be left with the United States.

*f.* The marked atomic superiority of the United States and the uncertainty that must necessarily exist in the minds of the Soviet rulers whether, in the event of general war, strategic atomic attack on the Soviet Union could be avoided, make it less likely that the Soviet Union will deliberately initiate or provoke war with the United States than that it will attempt, when local opportunities arise, to exploit by cold war tactics its geographic position and its preponderant ground and tactical air forces to obtain results advantageous to it.

*g.* In light of the probability that the striking power of strategic air forces is increasing faster than capabilities for air defense, the effectiveness of civilian defense programs will become increasingly important as (1) a factor in Soviet calculations whether the gain justifies the risk, (2) a factor in our calculations, in light of the enemy's retaliatory capabilities, of the costs to us of initiating strategic atomic warfare, and (3) a factor in determining relative rates of recuperation from atomic attack. In view of the value we place on

strategic air power both as a deterrent and as a means of establishing, in the event of war, the pre-conditions of eventual military victory, the second factor is of key importance to the United States. In effect, adequate civilian defenses can reduce the effective size of the enemy's atomic stockpile and thus prolong the period when we possess potent deterrents to war.

*Aims and Objectives*

8. In the most general terms, the free world is seeking to reduce the power and influence of the Kremlin to limits where they will no longer constitute a threat to the peace and stability of the world community and to bring about a basic change in the conduct of international relations by the Kremlin. A precondition to the accomplishment of this aim is the improvement of the military capabilities of the free world in comparison with those of the Soviet system. The free world has indicated its firm intention of accomplishing such a relative improvement of its power position by the only course open to it—namely, by building up its military capabilities. A second precondition is the political, economic, and social health and vitality of the free world, and the free world has also clearly indicated its intention to strengthen itself in these ways. The United States is playing a major and leading role in both these efforts.

9. Also in the most general terms, it can be stated as a minimum that the Kremlin is fundamentally hostile to the United States and indeed to all governments not under its control. It is unnecessary to explore the bases of this hostility beyond saying that they lie in Russian history, in communist doctrine, and in the experience of the Soviet state and its rulers. The Kremlin's aim with respect to areas not under its control is the elimination of resistance to its will and the extension of influence and control. The Kremlin's basic hostility to the outside world produces a basic preoccupation with its power position and a basic tendency to improve that position whenever it finds or can create opportunities for such improvement which do not, in its judgment, involve at the same time a serious risk to the maintenance of its authority in the Soviet Union. It has also demonstrated by its past behavior that when it finds situations which it would be disadvantageous to challenge, it will recognize this fact and modify its conduct accordingly. In other words, Soviet imperialistic expansion is to be expected when it does not seriously risk the Soviet base but will not be undertaken at such a risk—except as a result of miscalculation or of a calculation that the risk involved is less than the risk involved in another course. The unwillingness of the Kremlin to risk the maintenance of Soviet power in Russia for the sake of the acquisition of new positions in the world does not in any sense mean that the Soviet Union will not use armed force to prevent developments which are believed to pose an armed threat to the Soviet Union or to areas under its control or which are believed to involve a more serious future risk to the

maintenance of Soviet power in Russia than the immediate risks of preventive action.

10. It is evident that our efforts to contain, limit and bring about by peaceful means a retraction of Soviet power and influence and a change in the Soviet conduct of international relations will be opposed by the Kremlin and will be regarded by it as a threat to its security. It is also evident that the elements of conflict in the relationship of the free world to the Soviet system are inherent in the nature of that system. These elements of conflict derive from the aims and policies of the free world only in the sense that the free world is determined to remain free.

11. It follows from what has been said that the Soviet Union must be increasingly concerned with the pace of Western countermeasures, which it doubtless views as an ever more serious threat not only to the accomplishment of its overall objectives but eventually to the security of the Soviet orbit itself. How the Kremlin will react in this situation depends on a number of factors. These include its judgment of the relationship of military capabilities and of economic and military potentials, its view of the nature and timing of Western courses of action, its estimate of the present and prospective ability of the free world to maintain adequate defensive strength, unity, and social and economic health, its concern over its own internal problems, and probably most important, the particular developments in areas which both the Kremlin and the free world regard as areas of vital interest.

12. It is in these areas—the most important of which are Korea (because the issue has already been joined there), Japan, and Germany—that the conflict of interests and policies is sharpest, although unpredictable developments in international affairs—as in Iran—may produce other situations of great danger. Both the Soviet Union and the free world have demonstrated the firm intention of maintaining and developing their present positions in these areas. The free world's potential position is the stronger in these areas, because the lines of occupation established at the end of World War II put it in control of the most heavily populated and industrialized parts of these areas. It is clear that the Kremlin must take the most serious view of the incorporation of Japan and Western Germany into the free world and the addition of their military and economic potentials thereto and that it desires to prevent the development of these potentials in alliance with the free world. The Kremlin may feel that it can prevent this development by cold war means and might even be willing to propose a unification of Germany on terms which the West could not reject even though the Western defense effort might be dangerously retarded. On the other hand, the Kremlin may not expect to be able to prevent the rearming of Germany and Japan unless it uses force, and if so, we cannot be sure that the risks involved in the use of

force would deter the Kremlin from this course. We believe, however, that there is a reasonable chance that it will restrict itself to measures short of general war. There is a possibility that if the Kremlin is deterred from war and if measures short of war do not accomplish its aims, the Kremlin might be willing to negotiate settlements that would be acceptable to us and that would produce a significant relaxation of international tensions.

13. A drastic change in Soviet tactics, designed to accomplish its ultimate objectives through a temporary relaxation of tensions, is believed to be possible but not probable. Such a change in tactics might be successful in slowing down the building of strength in the West, not excluding the United States. However, if U.S. leadership in building strength remains firm, such a change in tactics could probably be countered without a serious retardation of our defense efforts and those of our allies.

14. The United States and its allies, although they are far from an adequate position of strength, have left behind them the danger of defeat by default. It must be clear to the Kremlin that we will resist any further encroachment on the area of the free world. This in itself is a major accomplishment. The United States and its allies have accepted the risks that inescapably accompany the decision and the determined action to develop strength adequate to defend its vital interests. This course of action and the Kremlin's efforts to thwart it will necessarily lead, for a time at least, to a heightening of tensions. It is this developing world situation and the responses to it by the Kremlin and the free world that result in the continuing and real danger of World War III. No one can be sure that war will not break out during this period—as a result of miscalculation, or of the deterioration of relations in a particular situation, or of a desperate but deliberate decision by the Kremlin. But the free world cannot avoid these dangers; there is no riskless course by which the free world can avoid entirely the risk that general war will break out and at the same time carry out all the measures necessary for survival. During the next two or three years, therefore, as our strength grows, spreads out from the center, and is established close to the Soviet Union and areas under its control, and as Soviet atomic resources approach possibly critical dimensions, we must give increasing weight to the possibility of war. Where our vital interests overlap what the Soviet rulers regard as vital interests of their own, there will be a grave risk of Soviet action unless our ability to defend our basic position is clearly equal or superior to the Soviet ability to challenge it.

15. It is improbable that in the coming period we can negotiate lasting settlements of any major issues with the Soviet Union on terms satisfactory to us. On the other hand if our strategy is successful there will come a point at which some accommodation by the Soviet

Union may begin. We should remain alert for evidence that such a point has been reached. It is conceivable that the Soviet rulers may become sufficiently fearful of the results of a progressive heightening of tension and of competition in building military power to prefer settlements of particular outstanding issues on terms which would be mutually acceptable. It is possible, in other words, that the Kremlin as well as the West might see a net balance of advantage in reversing the present trends in the world situation. Whether we should take such an initiative and what risks we should be prepared to run in pursuing it depend partly on our estimate of the strength of our present position in comparison with the Soviet system and partly on our estimate of our relative strength in the future.

[Here follow Part II, Summary Description of Programs (consisting of paragraphs 16–80), 46 pages; and Part III, Summary Tabulation of Tentative Estimates of New Obligational Authority, 2 pages.]

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S/S–NSC Files, Lot 63 D 351, NSC 114 Series

*Memorandum for the National Security Council by the Acting Executive Secretary (Gleason)*

TOP SECRET WASHINGTON, October 12, 1951.

Subject: United States Programs for National Security

Reference: NSC 114/2 [1] and Annexes to NSC 114/2 [2]

The enclosed Special Estimate on "Probable Developments in the World Situation Through Mid-1953" (SE–13), and attached revision thereto, prepared by the Central Intelligence Agency with the concurrence of the Intelligence Advisory Committee as Appendix A to Part I of NSC 114/2 on the subject, are transmitted herewith for the information of the National Security Council in connection with its consideration of that report.

S. EVERETT GLEASON

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[1] *Supra.*

[2] For a list of the annexes, see p. 183.

[Annex]

*Memorandum by the Central Intelligence Agency*

TOP SECRET [WASHINGTON,] 24 September 1951.
SE–13

SPECIAL ESTIMATE [3]

PROBABLE DEVELOPMENTS IN THE WORLD SITUATION THROUGH MID-1953

I. PROBABLE DEVELOPMENTS IN SOVIET CAPABILITIES AND INTENTIONS*

A. *Probable Growth in Soviet and Satellite Capabilities.*

1. The Soviet sphere will probably continue to increase its military, economic, and political strength over the next two years. Its absolute strength will be considerably greater in over-all terms by mid-1953 than at present.

2. *General Military Capabilities.* The military strength-in-being of the Soviet orbit should further increase over the next few years. Of greatest significance are a probable improvement in Soviet capabilities for atomic attack and for defense against such attack, the further development of Chinese Communist military strength, and continued growth of European Satellite military power.

*a.* Substantial modernization programs are continuing in all three Soviet services and Soviet forces should remain at a high state of war readiness. No sizable increase is expected in the Soviet army, which now totals some 2,500,000 men, including 175 line divisions, and can probably mobilize an additional 145 divisions by M+30 days. While the over-all numerical strength of the Soviet air force is expected to remain substantially the same, Soviet air power will become increasingly effective through continued conversion to jet fighters and bombers, improved training standards, operational use of heavy bombers, and acquisition of additional electronic equipment. More-

[3] This Special Estimate (SE) is one of a series of high-level intelligence reports first published in 1951 by the Central Intelligence Agency (CIA) to meet the need for immediate or crisis estimates. They were produced more quickly than the companion National Intelligence Estimate (NIE) series, which dealt with subjects of wider scope. Like the NIE, a Special Estimate was intended to be the most authoritative interpretation and appraisal of a problem available to policymakers and to present the coordinated expression of the best intelligence opinion from among several departments and agencies. The priorities and frames of reference for a proposed Special Estimate were set by the Intelligence Advisory Committee (IAC). This Committee was composed of the Director of Central Intelligence, who served as Chairman; the Special Assistant for Intelligence to the Secretary of State; and the principal intelligence officers of the Army, Navy, Air Force, Joint Chiefs of Staff, Atomic Energy Commission, and Federal Bureau of Investigation. The Estimate was drafted by the organizations represented on the IAC and by the CIA's Office of National Estimates, then submitted to the IAC for final revision and approval. Provision was made for the notation of dissent where unanimity did not exist. Immediately upon approval, a Special Estimate was published by the CIA and forwarded to the President, the appropriate officers of Cabinet level, and the National Security Council.

* Except in general terms, the position of Communist China is discussed in Section III. [Footnote in the source text.]

over, the USSR is increasing its strength in Eastern Europe and the Far East to maintain its relative advantage over Western strength.

*b. Atomic Capabilities.*† While Soviet atomic capabilities will remain inferior to those of the US, it is estimated that the Soviet stockpile of atomic weapons. . . .

At present the Soviet air force has an estimated T/O and E strength of about 600 to 700 TU–4 medium bombers capable of one-way missions, carrying atomic bombs, to practically all important targets in the US. Although there is no evidence that the USSR has developed aerial refueling techniques, with such techniques these aircraft may be capable of two-way missions to most important US targets. By mid-1952 the USSR may have approximately 1,000 TU–4's and by mid-1953 about 1,200. By mid-1953 the USSR also may have approximately 100 long-range bombers capable of round trip missions against nearly all vital targets in the US. It probably will have by this time substantial numbers of twin-jet high performance bombers capable of atomic attack on Western Europe and US overseas bases, and possibly a jet bomber capable of attacking the US. By mid-1953 the USSR should also have sufficient stockpiles of nerve gas for sustained, extensive employment.

*c.* Soviet *air defenses* probably will be substantially improved by mid-1953. A good all-weather interceptor aircraft with adequate airborne intercept radar should be available in limited to moderate quantities by that time, and difficulties with ground control intercept radars should be largely overcome. Moreover, improved antiaircraft defenses with modern radar equipment must be expected.

*d.* The USSR will probably considerably improve its *submarine warfare* capabilities by mid-1953 in view of the known Soviet modernization and construction program. At present the USSR has an estimated 361 submarines. More than half are ocean patrol and medium-range submarines of considerable endurance, and of these over 100 have the capability of patrolling in US coastal waters. Their operations would include torpedo attacks against shipping and mining of ports.

*e.* The Eastern European Satellite armies (including the East German) are expected to increase from a present 65 divisions to 117 by the fall of 1953, when Soviet re-equipment programs are expected to be completed. By that time these forces, despite some qualitative deficiencies, should be capable of independent operations with Soviet logistical backing or joint offensive operations with the Red Army. The East German Alert Police of 52,000 is capable of rapid expansion, with Soviet help, to 24 Soviet type rifle divisions. However, a force of only eight divisions is apparently contemplated at present due to the limitations imposed by the manpower demands of the East German economy. Unless the Korean war is prolonged, intensified, or broadened the Chinese Communist forces should also be materially strengthened with Soviet aid and technical support.

3. *Capabilities for particular operations.* The Soviet bloc will probably by mid-1953 still be able to carry out almost all of the offensive operations of which they are presently considered capable, except in

†[Footnote in the source text not printed.]

the unlikely event that the effectiveness of new weapons developed, produced and actually deployed by the West should offset the present preponderance of Soviet military strength on the Eurasian continent.

*a.* The USSR should still be able to overrun *Western Europe* and the Near East by mid-1953, although growing NATO strength will increase Western defense capabilities and lengthen correspondingly the time required for Soviet operations.

*b.* The USSR is already capable of an atomic *attack on the continental US.* Although US air defenses will be substantially improved by mid-1953, Soviet capabilities for attack on the US may be even more significantly increased, and the US will still be seriously vulnerable to such an attack.

4. *Political and Psychological Warfare Capabilities.* The Communists will continue to have extensive propaganda, subversive, and obstructive capabilities, both overt and covert, in Western Europe over the next two years. Moreover, Soviet and Chinese Communist capabilities in the Far East will probably considerably increase.

5. *Economic Strength of the Soviet Bloc.* The over-all economic strength of the Soviet orbit will remain far inferior to that of the Western Powers over the next few years, and little change is likely by 1953 in relative productive capacities. For example, US, Canadian, and Western European raw steel output should continue to be four times as great as that of the Soviet bloc, rising to roughly 175,000,000 tons in 1953 as compared to an estimated 43,000,000 tons for the Soviet bloc. However, the Western Powers will continue to be less able than the USSR to bring their over-all resources to bear on maximizing economic readiness for war. The Soviet economy is already at a high state of war-readiness and its productive capacity is at such a level and of such a character as to enable the USSR to maintain a major war effort. Although the expansion of the NATO mobilization base will substantially narrow the gap between Western and Soviet economic war-readiness by mid-1953, the USSR will still maintain a substantial lead. Continued large-scale arms production and stockpiling during the next two years will further increase Soviet economic war-readiness and extend the period over which the USSR could expect to conduct large-scale offensive operations. Increased industrialization in the European Satellites and their further integration into the Soviet economy will also contribute to Soviet war potential.

6. However, certain sectors of the Soviet economy are highly vulnerable to air attack and will probably remain so for the period of this estimate despite Soviet efforts to improve their air defenses, continued dispersion of facilities and a more complete system of reserve stocks. Moreover, certain economic weaknesses will still persist within the Soviet bloc, particularly a shortage of merchant shipping and deficiencies in such items as oil, crude rubber, certain machine tools

and precision instruments, some non-ferrous metals and alloys, and some electrical equipment. Western trade controls already have some impact, and to the extent that these controls are tightened such deficiencies will become more important. However, apart from the effects of US bombing, it is unlikely, in view of the Soviet stockpiling program and the probable development of substitutes, that these deficiencies will seriously affect Soviet capabilities for a long war. Although inferior by US standards, the Soviet land transport net is probably also adequate for a major war.

7. *Internal Stability of the Soviet Sphere.* Despite continuing tensions within the Soviet bloc, Communist control seems assured for the period of this estimate. The only appreciable likelihood of serious internal strains would be in Communist China if it remained embroiled in hostilities in the Far East (see Section III). While chronic difficulties will persist in the Sovietization of the European Satellites, they should be brought under even firmer Soviet control. Domestic dissatisfaction with the deprivations created by the forced pace of industrialization, agrarian collectivization, and rearmament will be a constant in the Soviet orbit, but no serious threat to the USSR.

B. *Probable Soviet Policies through Mid-1953.*

8. *Soviet Objectives.* It can be assumed that over-all Soviet objectives will remain the same as outlined in NSC 114.[4] The primary short-term aim of Soviet policy will continue to be the obstruction of further growth in Western strength and unity. The USSR must be increasingly concerned with the pace of Western countermeasures, which it doubtless views as an ever more serious threat not only to the early accomplishment of its over-all objectives but eventually to the security of the Soviet orbit itself. In particular, the USSR must fear growing US military power and its projection into a series of overseas bases encircling the Soviet bloc. It must also be seriously disturbed over the approaching rearmament of Western Germany and Japan, both with potential revisionist aims vis-à-vis the Soviet bloc. The USSR's acute sensitivity to these developments is amply evident from recent Soviet cold war moves. While the USSR may still see sufficient opportunities to justify a continuation of its present aggressive cold war policies, mounting Soviet concern as Western countermeasures develop further may lead to a change in tactics by the USSR. With the rising curve of Western strength, the possibility of such a change will become progressively more acute.

9. *Continued Aggressive Political Warfare.* For the time being, however, it appears likely that the USSR will continue its present aggressive policy of political and psychological warfare. Despite the

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[4] For text of NSC 114/1, "Status and Timing of United States Programs for National Security," August 8 (NSC 114 as revised and approved), see p. 127.

increased strength of anti-Communist forces, the USSR and Communist China probably see various revolutionary and subversive opportunities still open to them, particularly in Asia. They may be expected to continue their penetration of adjacent areas, promoting Communist coups wherever the situation seems favorable. The Communist forces will also attempt through local strikes, propaganda, and other means to obstruct Western rearmament and undermine the stability of free nations.

10. The USSR doubtless also sees possibilities of creating rifts between the non-Soviet countries, given the present acute stage of world tensions, and will make every effort to divide the Western Powers. Further Soviet initiatives to forestall the rearmament and pro-Western orientation of Germany and Japan are almost certain. Against a background of continued threats, the USSR will almost certainly intensify its propaganda and diplomatic "peace offensive" to convince the world that the "aggressive" course of the US and its allies is leading to a new war, thus playing on Western fears and attempting to weaken popular support of Western countermeasures.

11. While continuing its efforts to undermine Western Europe, the USSR will continue to devote much attention to Asia. The USSR and Communist China undoubtedly consider that favorable revolutionary and subversive opportunities exist in the Near and Far East, where the decline of Western influence and control has created serious instability. The Kremlin might hope that through stimulating local strife and civil war in such areas, it could either expand its own sphere of control and deprive the West of important resources or dissipate Western strength in costly and inconclusive military and economic countermeasures.

12. Further Soviet or Chinese Communist *local aggression*, particularly in Asia, is also possible during the next two years. Chinese Communist invasion of Indochina or Burma and Satellite invasion of Yugoslavia are serious possibilities (see Section III). To the extent that the Kremlin considers it necessary to eradicate the Tito [5] heresy before Tito or the West become too strong, the USSR may feel compelled to act soon. If critical situations arise in other areas, such as Iran, which offer inviting opportunities, possible Communist intervention cannot be discounted. However, a probable major factor in any decision for or against any such overt expansion will be the Soviet and Chinese Communist estimate of the resultant risks of general war and their willingness to accept those risks. In view of the US and UN reaction in Korea, the growing pace of Western rearmament, and the ever sharper delineation of the East-West struggle, the USSR probably now considers that further local aggression would entail

[5] Marshal Josip Broz (Tito), Premier of Yugoslavia; President of the People's Front.

serious risks of general war. Before deciding on such local aggression the USSR would certainly consider not only Western capabilities in any particular area but also over-all US capabilities against the USSR.

13. Although the USSR might under certain circumstances deliberately precipitate general war (see paragraph 15), it appears more likely that such a war, if it comes, would result from Soviet misjudgment of US action in a given situation or from the inability of either the USSR or the US to yield in cases where they regarded their vital interests as involved. The most immediate danger of such a development would be in event of a prolongation, intensification, or broadening of the Korean conflict. If under such conditions the Communist forces in Korea were threatened with decisive defeat the Kremlin would probably intensify its aid. This aid might well include the introduction of "volunteer" forces. It might even include the employment of Soviet forces to such an extent that a *de facto* local war between the US/UN and USSR would exist. In the event of critical developments in other areas as well as in Korea, the increasing tenseness of the international situation and the growing strength of both sides, which might lead to an increased determination to defend what each considered to be its vital interests, will make the danger of general war through accident or miscalculation considerably more acute.

14. *Possibility of a Major Shift in Soviet Tactics.* While it appears likely that the USSR will for a time continue its aggressive cold war pressures, the further growth of Western strength and counterpressures during the coming period may produce a shift in Soviet tactics. Viewing the last three years' developments, the USSR may consider that its postwar revolutionary and expansionist opportunities, except perhaps in Asia, are steadily narrowing and that continued cold war pressures are unlikely to pay off. The Kremlin may consider that such cold war pressures are only generating relatively greater Western countermeasures, which might eventually, particularly if they include German and Japanese rearmament, produce a situation dangerous to the vital interests of the USSR itself. Therefore, if the USSR is to achieve its immediate primary objective of forestalling a decisive increase in Western strength, it may be increasingly faced with the necessity of a shift from aggressive political warfare to some other approach.

15. *Deliberate Initiation of General War.* It is impossible to predict whether or at what point the rising curve of Western strength might lead the USSR to consider this trend so serious a threat as to require a resort to force before the West reaches a strength dangerous to the vital interests of the USSR. The risk of such a development will become more acute as Western defense programs progress, particularly in regard to German and Japanese rearmament and the development of US overseas bases. The USSR is increasing its already high state

of war-readiness and continuing its systematic domestic propaganda campaign to prepare the Soviet and Satellite peoples psychologically for possible war. Moreover, the USSR, with its intense suspicion of Western motives, may consider present Western defensive preparations as a prelude to eventual action by the Western Powers to force a choice between war and unacceptable concessions upon the USSR.

16. The USSR presumably recognizes that its still inferior over-all war potential, together with Western atomic superiority, would make the outcome of a general war doubtful, despite initial Soviet successes. Nevertheless, this consideration cannot be accepted as necessarily controlling the USSR's decision and the period through mid-1953 will be one of acute danger of global war. If convinced that the circumstances described above dictated a military showdown with the West during this period, it is possible that the Soviet rulers would themselves precipitate such a showdown at a time and under circumstances that they considered most favorable. It is alternatively possible, however, that they would for at least a period concentrate their attention on moves designed to maximize their immediate readiness for the impending conflict. These moves would include further steps in the military and economic mobilization of the Soviet Union and the Satellites. At the same time, the Kremlin and its Satellites might undertake local aggressions aimed at improving the immediate position of the USSR. The USSR would have to weigh the prospective gains in such local aggressions against the danger that such aggression might touch off general war at a time and under circumstances unfavorable to Soviet interests. But the Kremlin would make its assessment in this regard against the background of a belief that general hostilities were imminent in any event.

17. *A Relaxation of Tensions.* As an alternative to deliberate Soviet resort to early general war, if the Kremlin considered that there were compelling reasons against this course of action, the USSR might decide to make a temporary shift, at least in Europe, to new and less obviously aggressive tactics, designed to lull the West into a false sense of security and undermine growing Western strength. Considering that its present aggressive postwar policies had reached the point of diminishing returns and were engendering ever more threatening Western countermeasures, the USSR might see in this alternative method of political warfare even better opportunities of undermining the growing strength and cohesion of the West. Such a tactical shift would not necessarily imply that the USSR would suspend all its aggressive and subversive tactics; it might adopt a softer policy in Europe, for example, while continuing to expand in Asia. Moreover, a shift to such a course would be only temporary, and it is impossible to say at what point, if ever, the USSR might consider it necessary to adopt it, or how far it might be willing to go. There are strong

grounds for believing that the USSR would in any case be unwilling to make the major concessions which would appear to be necessary to assure such a policy's success.

II. PROBABLE GROWTH OF NATO STRENGTH AND WILL TO FIGHT

18. Except in the event of a marked reduction in US aid, some improvement in Western European strength and morale seems likely by mid-1953, although less than that anticipated from US and NATO programs. Further progress toward achieving MTDP goals, continued expansion of Europe's economy, a more unified and efficient NATO and intra-European effort, and the probable integration of West Germany into the Atlantic Community will all contribute to this improved position. Nevertheless, certain countries will still be deficient in political initiative and popular will to sacrifice and Western Europe will remain subject to dangerous economic and social stresses. It will still be vulnerable not only to Soviet occupation but to Soviet cold war pressures through mid-1953.

19. *NAT Military Strength.* By mid-1953 the European NATO forces should be considerably stronger than at present if there is a continued high level of US aid. European defense budgets and military production will probably increase over the next two years and although forces in being will fall short of phased MTDP requirements, their morale, leadership and combat readiness should be markedly higher than at present. However, available European NATO forces will still be insufficient to do more than delay a full-scale Soviet attack, except in the unlikely event that the effectiveness of new weapons developed, produced, and actually deployed by the West should offset the present preponderance of Soviet military strength on the Eurasian continent.

20. *Broadening of the NAT Coalition.* The formal or informal association of Greece, Turkey, Spain, Yugoslavia, and Western Germany with the NAT defensive coalition, which, despite varying degrees of European reluctance, should be consummated in the coming period, will be a major increment to NATO strength. The developing integration of these countries either directly or indirectly into the NATO structure and the strengthening of their forces should help to offset the increases in Soviet and Satellite strength. The southern flank of SHAPE should be materially strengthened, partly by a greater availability of Mediterranean bases. However, numerous political and psychological obstacles will continue to delay the optimum utilization of Yugoslav, West German, and Spanish potential and to postpone the date at which these nations can make a full contribution to European defense. It seems unlikely, for example, given the continuing obstacles to a West German contribution, that a sizable contingent of combat-ready German forces will become available be-

fore some time in 1953. Moreover, to the extent that the Western Powers do not meet German demands for full equality, German cooperation may be delayed.

21. *Economic Burdens.* Despite the marked degree of economic recovery during the ERP period, Western Europe's economy is being subjected to new strains by NAT rearmament needs. Inflationary pressures and raw materials shortages generated by rearmament, persistent economic nationalism, and the continuing reluctance or inability of many governments to take the necessary measures to cope with economic maladjustments will all hamper both optimum defense output and continued economic expansion. Nevertheless, the next two years should see a small rise in European production and a small and uneven increase in living standards, despite rearmament drains. Much will depend upon how far national economic policies can minimize the economic repercussions of rearmament while maximizing European defense efforts. Finally, a great deal will depend upon the extent to which not only US economic aid but US materials allocations and economic trends in the US itself permit a continued expansion of European production. Because of a worsening balance of payments situation in the UK, for example, increased US aid may be required if a satisfactory rate of British defense build-up is to be achieved.

22. *Political and Psychological Factors.* The poor state of European morale, still deficient popular will to sacrifice, and a lack of vigorous governmental initiative, particularly in key continental countries, will continue to hamper the achievement of NATO objectives. Despite the marked degree of postwar European recovery there still persists in many continental countries a serious lack of governmental and popular confidence in Europe's ability to solve its economic and social problems, and to defend itself against external attack. Popular morale and confidence will be bolstered as NATO and other programs develop. but will long remain an uncertain factor, particularly in event of war.

23. While no seriously adverse internal political developments appear likely in any Western European countries, a marked improvement in political stability seems at best problematical. The chief areas of uncertainty are France and Italy, in both of which the position of existing governments will continue to be precarious. This in turn prevents them from dealing vigorously with military, political, and economic problems. Nevertheless, some form of coalition should be able to maintain its present controlling position in France and Italy, unless a seriously worsening economic or international situation leads to an acceleration of the trend toward polarization of the political scene. The powerful French and Italian Communist parties will probably maintain substantial strength, but their obstructive role should be

somewhat reduced unless rearmament creates major economic stresses on which they can capitalize.

24. *Progress of the Alliance.* Supranational institutions of European unity—specifically the European Defense Force and the Schuman plan [6] administration—should develop during the next two years, but there is no indication that any European state is yet prepared to form a true federation with its neighbors. Within NATO the problems of rearmament will probably dictate a further unification of effort by mid-1953, though among the treaty powers and those associated with them the problem of conflicting national objectives will continue to hamper the development of maximum strength. The continuing debate over the sharing of rearmament burdens, the constant threat of rearmament to social reform and welfare programs, the problem of trade with the East, the struggle for markets within and outside Europe, the part Germany is to play in the alliance—all these will be exasperating and sometimes frustrating problems with which the West must deal. Added to all these will be the difficulties always posed by an ambivalent Europe looking to the United States for strength and power yet envious of American leadership and often doubtful of the aims and methods of American policy. Nonetheless, mid-1953 should find the alliance stronger than at present and better organized than it is now.

25. On the other hand, if the USSR could remove some of the fear of World War III and Soviet invasion, European popular willingness to shoulder the burdens of rearmament would almost certainly lessen, and there would be strong pressure on the governments to divert resources from the NATO effort to meet pressing economic and social needs.

26. In any case the US will continue to face serious problems arising from the failure of its European NATO partners to meet present rearmament goals. Even if the Western Europeans were willing and able to assume a larger share of NAT defense burdens, adequate NATO rearmament would still be impossible without large-scale US military and economic assistance. In view of the continuing uncertainties of the European situation, much will depend therefore, during the period of this estimate, on US leadership and support. A substantial reduction in US assistance over the coming period would seriously jeopardize European economic and political stability, as well as the creation of an adequate NATO defense.

### III. PROBABLE DEVELOPMENTS IN THE NEAR AND FAR EAST

27. No decisive outcome of the East-West struggle in Asia seems probable during the next two years. At present it appears unlikely

[6] For documentation on the development of the European Coal and Steel Community (proposed by French Foreign Minister Robert Schuman), see volume IV.

that the US and its allies will be able to do more than maintain or perhaps slightly improve their present unsatisfactory position in the Near and Far East, while on the other hand there is acute danger of major deterioration. The East-West conflict has become increasingly acute in the Far East, and will remain acute so long as Communist China plays an expansionist role. The threat of communist expansion in the Near East and South Asia is by no means as immediate, but in these areas as well as in the Far East, the Western position is seriously threatened by the anti-Western cast of the Asian nationalist revolution. This anti-Westernism, combined with social tensions, poverty, governmental and military weakness, and naiveté or lack of concern about Communist objectives, makes most Asian states vulnerable to Communist exploitation and complicates US efforts to bolster them internally. In the Far East in particular, the Communists have succeeded to a large extent in identifying themselves with the Asian revolution, and in encouraging its anti-Western aspects. In those areas where Communism has gained no firm foothold, Asian nationalism has expressed itself in acute suspicion of US motives and a persisting trend toward neutralism. However, the continued economic and military dependence of the free Asiatic countries upon the Western Powers provides them an inducement to align themselves with the West.

28. The USSR and *Communist China* will present a serious threat to US interests in the Far East through mid-1953. Unless subjected to continuing economic and military stresses from a prolonged, intensified, or broadened Korean war, the Chinese Communist regime may be able to strengthen iself over the coming period by modernizing and strengthening its armed forces, by further consolidating its domestic control, and by making some progress in solving its economic problems. The Peiping regime will play an increasingly influential role in Asian affairs by virtue of its growing prestige and through the influence it exerts over Asian revolutionary movements. The USSR will probably continue to provide substantial military and technical help, although its economic aid will almost certainly fall far short of Chinese requirements. However, a prolonged, intensified or broadened struggle with the US and its allies might critically weaken the Peiping regime unless the USSR provided much greater military and economic aid.

29. While frictions may develop between the USSR and Communist China and there remain long term possibilites of a major clash of interests, it appears unlikely that any serious rifts will develop in the next two years. Ideological affinity and mutual antagonism toward the West, as well as common fear of Japanese resurgence, probably dictate a continued close relationship, at least over the short term.

30. It seems almost certain that Peiping intends to play an aggressive, expansionist role in the Far East. While problems of internal consolidation and development and a continued lack of naval strength should prevent China through mid-1953 from mounting a serious threat to the US-dominated offshore island chain (except perhaps Taiwan), there will remain an ever present danger of Chinese Communist aggression against such adjacent mainland areas as Indochina, Burma, and South Korea. While the Korean war has somewhat restricted Chinese Communist capabilities for operations elsewhere, such capabilities should increase in the event this conflict is ended. In any case Communist China will almost certainly increase its covert support of indigenous revolutionary movements. It may consider that the prospects for eventual success by these methods, particularly in Southeast Asia, are sufficient to make unnecessary overt intervention with its risk of war with the West.

31. The probable emergence of a politically stable and pro-US *Japan* will help to establish an East-West balance of power in the Far East. However, the revival of Japan's power potential will inevitably be a long term development and Japan alone will by no means be able to counterbalance Sino-Soviet strength in Northeast Asia in the next two years. Moreover, anti-Western sentiment may develop in post-treaty Japan, and if Japan fails to find markets and raw materials in non-Communist areas, there may develop an insistent demand for economic collaboration with the Asian mainland. Under these circumstances, there will be a continuing substantial requirement for US assistance, particularly in the development of foreign trade. However, the continuance of a conservative anti-Communist government should tend to support US interests, and over the next two years at least Japan should be a growing asset to the Western position in East Asia.

32. The chief immediate danger of a critical development in the Far East lies in a prolongation, intensification, or broadening of the Korean war (see paragraph 13). Even if some compromise solution were reached in Korea, the US would still be faced not only with the constant threat of renewed aggression in Korea or elsewhere in Asia and the consequent necessity of maintaining large forces in the Far East, but also with major reconstruction problems in South Korea. The reconstituted North Korean forces, together with the Chinese Communists, will have a continued capability for re-occupying South Korea in the event US and UN forces are progressively withdrawn. The rebuilding of South Korean security forces and the rehabilitation of the prostrate South Korean economy will in any case constitute formidable tasks.

33. *Southeast Asia*[7] will continue to be extremely vulnerable to Communist penetration. There is no prospect for early development

[7] For documentation on Southeast Asia, see volume VI.

of strong anti-Communist governments in the area and a real danger exists that, with increased Chinese Communist assistance or even overt intervention, indigenous Communist movements may extend their control over more of Indochina and Burma within the next two years. If these countries were to fall, Thailand would doubtless prove unable for long to withstand Communist pressure, and the situation would also deteriorate further in Malaya, Indonesia, and the Philippines. In any event, all Southeast Asian countries will remain weak and unstable during the coming period, and may require increasing amounts of outside assistance, including military assistance, even to maintain themselves. In the absence of major Communist successes in Indochina or Burma, the situation in Malaya, Thailand, and the Philippines should improve by mid-1953, although long term problems of local insurgence, political instability, and economic development will still remain.

34. The Nationalist military position on Taiwan should gradually improve with US aid. Enhanced Nationalist capabilities for harassing the mainland will require an increased allotment of Chinese Communist strength for coastal defense. However, the security of Taiwan will continue to be hampered by the regime's economic difficulties, general inefficiency and corruption, and will require close US control if US military and economic aid is to be effective.

*B. [sic] Probable Developments in the Near East (and North Africa)* [8]

35. In the Near East the serious possibility of a deterioration in the situation overshadows the limited possibilities of improvement over the next two years. At present, except in Greece and Turkey, the West is faced with a growing crisis in which the chief motivating force is not Communist pressure but the anti-Western nationalism of Iran and the Arab world. The growing strength of Greece and especially Turkey and the widening system of US Mediterranean bases should be positive favorable influences in this area. However, these factors will probably be counterbalanced by continued Arab-Israeli animosity, further deterioration of the British system of alliances, and nationalist hostility toward the West. Active Soviet intervention in the Near East seems unlikely, except possibly in Iran. More likely is a further growth of neutralism, which might limit US–UK utilization of the area's strategic position and petroleum resources. Improvement of the existing unsatisfactory US–UK position in the Near East (except in Greece and Turkey) will depend largely upon the successful solution of the area's economic problems and upon the satisfaction of at least some nationalist aspirations.

36. Developments in *Iran* will depend largely upon the outcome of the current oil controversy, but in any event Iran will probably

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[8] For documentation on the Near East and Africa, see volume v.

remain internally unstable during the next two years. While successful negotiations with the British might substantially increase Iranian revenues, it is doubtful whether effective use would be made of these revenues. Failure of the negotiations may well lead to economic chaos and increase the danger of a Communist (Tudeh) coup. Overt Soviet intervention remains unlikely unless the UK intervenes with armed forces, in which case the USSR might occupy Azerbaijan.

37. In the *Arab states* social and political instability, anti-Zionism, and extreme nationalism will hamper the achievement of US objectives through mid-1953. There is little likelihood of sufficient improvement in Israeli-Arab relations to permit their joint association in Near East defense. Arab resentment over US support of Israel also creates problems for the US. Nationalism will continue to undermine UK influence and seriously jeopardize British retention of their important Egyptian bases. However, despite the trend toward neutralism in the Arab countries, there is some increased awareness of the Soviet threat and, particularly if an increased Soviet threat developed, the Arab states might more willingly cooperate with the West. Their price would probably be a sharp increase in the amount of US aid.

38. *Israel's* ultimate orientation is uncertain, despite its economic dependence on the US and its stated awareness of the Soviet threat. Continued immigration and a paucity of resources prolong economic instability and there is some danger that Israel might seek an outlet through renewed expansion at the Arabs' expense.

39. While violent explosions in *French North Africa* may not occur over the next two years, rising Arab nationalism, fanned by extremists in the Arab states, will create increasing instability in this area and also in Libya, and may affect the security of US bases.

C. *Probable Developments in South Asia.*

40. Developments in South Asia over the next two years will depend largely on the outcome of the Kashmir dispute. Realization of the effect that war would have on the disputants might result in greater readiness to compromise, and some *de facto* if not negotiated settlement may emerge. The resulting increased stability in the area would be favorable to US interests. Pakistan may be able to give more positive expression to its pro-Western leanings and, if given US support, may provide bases and troops for the defense of the Middle East. Although India is far less likely to abandon its neutralist policy, at least so long as Nehru remains prime minister, continued Chinese Communist penetration of Southeast Asia, especially Burma, might lead India to adopt a more forceful anti-Communist policy. On the other hand, if continued friction over Kashmir leads to war, the resulting economic stresses and communal disorders would leave both India and Pakistan prostrate and vulnerable to Communist penetra-

tion. In any event, the deep seated social and economic ailments of the area, and particularly of India, preclude the development in the short run of strong states capable of adding significantly to the power of the Western coalition.

### IV. PROBABLE DEVELOPMENTS IN LATIN AMERICA [9]

41. The situation in Latin America through mid-1953 should continue to be favorable to US interests, despite certain internal problems and a persistent isolationist attitude among large segments of Latin American opinion. The area's trade position has improved since the Korean war and is likely to improve further. All but a few governments are pro-US, and only in Argentina and Guatemala are there pronounced anti-US attitudes in high official circles. The chief present problem in Latin America is the maintenance of political and economic stability, both of which have been increasingly threatened in the last two years.

42. Important obstacles to full Latin American support of US policies are the persistence of isolationist sentiment and unwillingness to make sacrifices in the East-West conflict, which to many Latin Americans appears primarily as a struggle between the US and USSR. The force of isolationist and nationalist opinion, particularly in countries where important elections are approaching, has obstructed direct military aid to the UN in Korea, and has caused pro-US governments to act cautiously in US negotiations to secure strategic materials. Communist strategy has been to play upon this isolationism by attacking Latin American bonds with the US. Soviet adoption of a more conciliatory policy would increase the susceptibility of isolationist groups and complicate the task of governments desiring to cooperate with the US. Nevertheless, in the event of a major crisis, most Latin American governments would act in the spirit of the Rio Treaty.

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[9] For documentation on Latin America, see vol. II, pp. 925 ff.

S/S–NSC Files, Lot 63 D 351, NSC 114 Series

*Study Prepared by the Department of Defense and the Office of Defense Mobilization*[1]

SECRET [WASHINGTON, October 12, 1951.]

NSC 114/2, Annex No. 4

NATIONAL STOCKPILING PROGRAM

(Prepared by the Department of Defense and the Office of Defense Mobilization)

A. OBJECTIVES AND MINIMUM TASKS

1. The stockpile of strategic and critical materials is a national stockpile, not just a military stockpile. It is a blood bank of materials to be called upon in a time of national emergency when the supplies of these critical materials may be cut off at the very moment when we need them most.

2. Unfortunately, the importance of the stockpile program to our entire defense effort often is not fully recognized, nor are the implications stemming from this lack of recognition always fully appreciated. Exhibit A[2] illustrates factually the very crucial situation which exists in respect to many materials. A careful study of this table will reveal that unless an answer is found promptly to some of the questions which it raises, this nation will be faced with serious production bottlenecks and imbalances in the event of all-out war within the next two years. This is particularly true in view of the large number of materials involved and the cumulative effect of the shortages that would simultaneously be encountered. Further, the normal substitutes for some stockpile items will themselves be in short supply.

3. The purpose of the program, which is authorized by Public Law 520–79th Congress,[3] is to "decrease and prevent wherever possible a dangerous and costly dependence of the United States upon foreign nations for supplies of these (strategic and critical) materials in time of national emergency." It hence is implicit that the stockpiles must be accumulated prior to M-Day. Except for a few instances, such as aluminum and magnesium, the program thus far generally has been limited to materials which come in large part or entirely from foreign sources, as opposed to materials which can be produced or manufactured in sufficient quantities in the United States.

4. The specific objective of the program proposed herein is to make the United States self-sufficient as quickly as feasible in respect to these critical and strategic materials by building stockpile reserves,

[1] This study was circulated as NSC 114/2, Annex No. 4. Regarding the other annexes, see p. 183.

[2] Printed below, p. 219.

[3] The Strategic and Critical Materials Stockpiling Act of July 20, 1946; 60 Stat. 596.

limiting consumption, expanding supply, and wherever possible finding satisfactory substitutes. Even if the most optimistic acquisition targets which can reasonably be established for the next two years are met, we will still be inadequately prepared for all-out war unless in that interim large, new, "safe," sources of supply have been found and exploited, or unless satisfactory substitutes have been developed.

### B. FULL DESCRIPTION OF PROGRAM

1. *Elements Comprising the Program*

5. The principal planning element of the stockpile program, pursuant to Section 2 of the Act, is the determination of the materials, quantities and qualities to be stockpiled. The principal operating function is the acquisition of the objective quantities in the proper qualities. Other operational elements are those usually associated with acquisitions; namely, transportation, inspection, handling, storage, security and maintenance, as well as the processing of materials acquired in other than the desired form or quality, the rotation (through sale and repurchase) of perishable materials to prevent deterioration, and the disposal of materials no longer desired in the stockpile.

6. Under the authority of the Defense Production Act,[4] the responsibility for determining current and long range requirements for strategic and critical materials has been placed in the Defense Production Administration. In order to perform this function properly, there was need of a focal point for coordination of Government policies and programs affecting strategic and critical materials. The Vital Materials Coordinating Committee was established under the Administrator of the Defense Production Administration to serve this purpose. The meetings of this committee bring together all of the interested agencies.

7. The responsibilities of the Vital Materials Coordinating Committee in general fall into three categories: (*a*) expansion of supply, (*b*) balanced distribution of available supply and (*c*) limitation of nonessential use. The operating procedure of the committee is as follows: Recommendations of the Programs and Requirements Office of the Defense Production Administration are presented to the Vital Materials Coordinating Committee where they are reviewed. If a recommendation is approved by the committee, it is then transmitted to the Administrator of the Defense Production Administration who issues appropriate directives to the agency or agencies having the responsibility for carrying out the decisions. If opposing views are expressed in the Vital Materials Coordinating Committee, a further review is made by the agencies concerned in an attempt to secure an agreement. Whenever these agencies cannot effect an agreement,

[4] Public Law 774, 81st Cong., 2d sess. (64 Stat. 798).

opposing views are referred to the Administrator of the Defense Production Administration for decision and action.

8. The stockpiling program is in itself a single project and does not break down into separable elements except as each individual material and the accomplishment of the objective for that material can be considered a separate element of the program as a whole. There are seventy-three materials for which stockpiles are currently necessary. These and their principal uses and sources are shown in Exhibit B.[5]

2. *Assumptions and Policies upon which the Program is Based*

9. The materials and quantities which should be stockpiled are determined by a comparison of probable national requirements and supplies in time of war. This is done through an interdepartmental stockpile committee on which all interested civilian and military agencies are represented.

10. Essential industrial and civilian requirements, which in most instances exceed the direct military needs, are estimated by groups of commodity specialists in Government and industry on the basis of past use factors, projected wartime levels of general industrial activity and any other indicators of requirements for the particular item under review.

11. Insofar as direct military requirements are concerned, these are computed or estimated on the basis of the latest available mobilization plan approved by the Joint Chiefs of Staff and translated into end-item production schedules and materials requirements by the military departments.

12. There is some thought that the current program of building up the military forces and their equipment should have the result of reducing future all-out mobilization requirements—hence should reduce the need for stockpiling. On the contrary, the increase in the existing and equipped military forces, plus the building up of the war production potential, will have just the opposite effect, at least for the early part of the full mobilization and war period. After the forces are built up, and even though their initial equipment is provided for, the existence of this force will permit prompt participation in war on a large scale, instead of a delaying action during a build-up period. Hence the immediate needs for expendable supplies and for replacements will be far higher than if that force had not existed. Furthermore, the building of a war production potential means the building of a materials consuming potential and industry will now be in position to promptly consume larger amounts of material for conversion to war goods as soon as needed. Up until now, war requirements for many materials have been limited by industry capacity to convert materials to war goods. This limitation is rapidly being removed.

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[5] Printed below, p. 220.

13. Included in the estimated wartime requirements are those for "normal" export, but no provision has been made for possible large amounts needed by allies for their own military and supporting programs which we might be called upon to furnish in the absence of adequate preparation by the allied countries. No firm basis now exists for determining such requirements and the matter is mentioned only to record that here is a potential additional requirement not now provided for.

14. Wartime supplies are estimated from basic commodity production and trade studies, factored in accordance with assumptions as to the degree to which supplies from abroad will be affected by a global war. These assumptions in turn are derived from Joint Chiefs of Staff guidance as to the probable status of each producing country from the standpoint of military accessibility (that is, whether or not the country will be enemy or enemy-controlled), and as to the probable rates of loss in transit from overseas sources. Further guidance as to the dependability of the accessible world sources (political and economic) is obtained from the Department of State. Pursuant to general guidance from the Joint Chiefs of Staff, a safety factor is inserted whenever supplies of a given item are concentrated in one or a few world sources.

15. The assumed duration of the war (five years) is the minimum given in current Joint Chiefs of Staff guidance.

3. *The Primary Task and the Program Needed To Accomplish It*

16. The task to be accomplished is to acquire the necessary stockpile materials at the earliest possible time. Particular emphasis and resort to forceful measures is indicated for those materials which now exhibit such a low degree of stockpile accomplishment that total supplies available in wartime production and imports plus current stockpile are far short of wartime requirements. Exhibit C [6] shows the present and projected status of these selected items. Greater sacrifices in the current economy, greater efforts to expand supply, resort to incentive purchase prices where indicated, and forceful use of conservation and substitution are essential to the accomplishment of this task.

17. If the Munitions Board program set forth in Exhibit C, or if any reasonably close approach thereto is to be accomplished, the following specific actions would have to be taken.

*a.* A change in the present priority position of the stockpile program so that allocation of materials to it are given preference over those required to maintain an economy geared to the policy of avoiding unemployment or idling facilities which cannot readily be absorbed

[6] Exhibit "C", "Munitions Board Program for Acquisition of Stockpile Materials F.Y. 1952, 1953, 1954", a table of four pages, is not printed here.

in the expanding military program. No question is raised concerning the higher priority of military requirements.

*b.* The formulation and implementation of an international materials program which will assure the United States of obtaining the materials required to carry out its national policies, including the stockpiling program. Such a program should be directed toward:

(1) the stabilization of world prices;

(2) assuring the United States of appropriate benefits from increased supplies obtained through the expenditure of United States funds both at home and abroad, whether in the form of loans, subsidies, or guaranteed markets;

(3) the imposition of use restrictions similar to our own by other free nations of the world;

(4) encouraging in every possible way the expansion of supplies;

(5) judicious consideration of the needs of the other free nations of the world but fully recognizing the proportionate share of the defense effort being borne by the United States and the share which the United States will be required to bear in the event of all-out war.

*c.* An intensified effort to increase the procurement of strategic and critical materials, both at home and abroad. This involves full use of the Government's authority in the granting of loans, issuance of tax amortization certificates, guaranteed markets, sound but flexible price policies, payment where justified or premium prices and import subsidies, allocation of equipment and materials for expansion projects and a broad flexible purchase and resale program which would permit the immediate spot procurement of these materials any place in the world without delay. This kind of approach is doubly significant because new sources of supply will not only make materials available for the stockpile but, in the case of developments in areas of the world considered "safe", will decrease the gap between estimated wartime supply and requirements, thus permitting the lowering of the stockpile objective itself.

*d.* A greatly strengthened conservation and substitution program. To be successful, this must have the full and continuous backing of both the military and civilian agencies. There is a natural and understandable reluctance on the part of production people to change from a tried and proven material to something new, particularly if the new material costs more than the old. This reluctance must be overcome by forceful measures, however, because even though it might be possible without serious consequences to find substitutes for some of these materials after M-Day, there would be serious distortions in production from the cumulative effect of having to find substitutes for all of them after M-Day. Furthermore, in the case of some materials current consumption equals current supply with no substantial relief in sight from future new sources, and no material going into the stockpile so that the only possible solution is through conservation and substitution. The most serious example of this is columbite where the present stockpile plus all of the supplies which it is estimated would be available during a five-year war period are

equal to less than 12% of the estimated wartime requirements with jet engines being the principal user.

18. The current uses of columbite already have been limited to the military, AEC, and a few indispensable industrial fields. Development of substitutes by the military in the immediate future is absolutely essential because it would be impossible to supply enough material to support a continuation of present specifications in the production of aircraft during all-out mobilization. Finding and using substitutes at that time would be the only alternative to curtailing aircraft production. It is obviously better in many such cases to enforce substitution now and by so doing to make available a portion of the limited current supply to build up a stockpile reserve which would be sufficient to support in wartime a greatly reduced projected use.

19. There are parallel cases, such as refractory grade chromite, corundum and industrial diamonds where there is little or no material being siphoned from the current supplies to go into the stockpile. Industry must not be permitted stubbornly to follow the currently preferred usage of these materials when it is realized that in time of war the losses in productivity inherent in finding satisfactory substitutes would be far more harmful than at present. The maximum possible employment of substitutes at this time will not only enable industry to determine and solve the resulting production problems prior to an emergency but will permit the siphoning off of a portion of the supplies to the stockpile so long as the supply lines remain open.

20. The stockpile materials may be approximately divided into the following categories as to the most promising solutions to the problem of wartime deficiency. Actually, many could be included in more than one category so that this classification is in no sense precise.

*Class I*—Current military and AEC production uses almost the entire supply permitting only slight additions, if any, to the national stockpile. Most of the supply is imported. Efforts are being pressed to increase supply but little significant additions can be expected. Substitutions are essential in military use. Research on military substitutions must be pushed.

| | |
|---|---|
| Beryl | Columbite-Tantalite |
| Cobalt | Rare Earths |

*Class II*—Supplies are completely unpredictable as they come almost entirely from behind the Iron Curtain. Large quantities might appear suddenly on the market. Civilian consumption has been substantially cut back and substitutes can be utilized in some instances if necessary.

| | |
|---|---|
| Hog Bristles | Platinum Group Metals |
| Feathers & Down | Silk Waste and Noils |

549-782—79——15

*Class III*—U.S. stockpiles are in reasonably good condition and the rate of further acquisition is dependent in large part upon the U.S. desire to avoid runaway price rises through heavy and uncoordinated buying activities.

| | |
|---|---|
| Cordage Fibers (Abaca and Sisal) | Rubber<br>Tin |

*Class IV*—Stockpile objectives are small and far from complete. However, stockpile objectives were intended to cover only the initial deficits before reactivation or expansion of productive capacity and such expansion and reactivation programs are currently under way, thus reducing the danger inherent in the stockpile status. Severe civilian restrictions are presently in operation. Any further cut-backs would provide relatively little to the stockpile and would cause serious labor, small business and other dislocations excessively weakening the basic economy of the country.

| | |
|---|---|
| Aluminum | Magnesium |

*Class V*—U.S. domestic mine production normally accounts for over half of the total supply. However, the U.S. is dependent upon significant imports coming largely from nations expected to be accessible in wartime. At the present time, world price levels are higher than U.S. ceiling prices for these materials and importation of metal at higher than established ceiling prices is forbidden. International allocations to solve price problems and aggressive U.S. sponsored expansion programs, both in the U.S. and abroad, afford the only solution. In this case also, severe civilian restrictions are presently in operation. Any further cut-backs would provide relatively little to the stockpile and would cause serious labor, small business and other dislocations excessively weakening the basic economy of the country.

| | |
|---|---|
| Copper<br>Lead | Zinc |

*Class VI*—Stockpile objectives were only recently established and therefore it is too early to see significant progress.

| | |
|---|---|
| Bauxite, Refractory Grade<br>Vegetable Tannin Chestnut–Wattle<br>Manganese Ore, Chemical Grade | Wool<br>Cotton (Extra long Staple)<br>Fluorspar, Acid Grade |

*Class VII*—World supplies of the following materials available to this country are entirely inadequate to permit significant stockpiling even if it were practicable to channel all imports to the stockpile. Substitutions are available and must be fully exploited.

Castor Oil
Coconut Oil
Palm Oil
Corundum
Graphite,
Crucible Grade
Kyanite
Opium
Shellac
Talc, Steatite Block
Vegetable Tannin,
Quebracho

*Class VIII*—Materials are being used to meet military, AEC and essential defense supporting production almost exclusively, thus only slight additions to the stockpile are possible. Restrictions of civilian consumption are severe. Materials such as manganese are necessary to maintain steel production or other essential segments of the economy.

Asbestos (All grades)
Bauxite,
Metal Grade
Chromite,
Refractory Grade
Manganese Ore,
Battery Grade
Mica
Muscovite Block
and Film
Molybdenum
Nickel
Quartz Crystals
Diamonds, Industrial
Crushing Bort
Jewel Bearings
Tungsten
Vanadium
Manganese Ore
Metallurgical Grade

*Class IX*—Either the stockpile objective is achieved or the danger point level is passed. Current conservation measures and programs to expand supplies should be continued until the stockpile objectives for all are completed, but there is no need for additional drastic action at this time.

Antimony
Bismuth
Cadmium
Celestite
Chromite,
Chemical Grade
Chromite,
Metallurgical Grade
Diamonds, Industrial
Stones
Fluorspar,
Metallurgical Grade
Graphite,
Amorphous Lump
Graphite,
Lubricant Flake
Hyoscine
Mercury
Mica
Muscovite and
Phlogopite
Splittings
Pyrethrum
Quinine-Quinidine
Sapphire and Ruby
Sperm Oil

4. *Estimated Cost in Fiscal Years 1953 and 1954*

21. Budgetary needs of the stockpiling program must be analyzed from two standpoints: (*a*) obligational authority to permit timely placement of contracts and (*b*) cash to cover programmed deliveries. The recent policy of the Bureau of the Budget and the Congress that contract authority no longer be granted but that all obligational authority be in the form of cash, coupled with the inherent long-lead-

time nature of contracting for stockpile materials, leads to the *apparent* over-appropriation of cash funds in that substantial unspent cash balances exist at the end of each fiscal year. Since stockpile appropriations are usable until spent, no complications arise from this so long as the situation is understood.

*a. Cash Basis.* As of 30 June 1951 the current market value of the stockpile objective quantities was $8.3 billion and of the stocks on hand and paid for $3.0 billion. Thus a balance of $5.3 billion worth of materials was still to be delivered and paid for to complete the program. In addition, expenses such as storage, storage facilities construction, rotation, maintenance, processing and administrative overhead will involve about $100 million *each year.*

The unexpended cash balance as of 30 June 1951 was $2.6 billion and the Fiscal Year 1952 appropriation is expected to be about $0.8 billion. Available cash, therefore, is about $3.4 billion. This is expected to be sufficient to cover possible deliveries to the stockpile during Fiscal Years 1952 and 1953, plus the $0.2 billion in miscellaneous expenses for the two years. Further cash funds will be necessary in Fiscal Year 1954 and beyond.

SUMMARY OF CASH REQUIREMENTS FOR EXPENDITURES

*Amount Needed $ Billions*

| *Fiscal Year Needed* | *Materials* | *Other Expenses* | *Total* | *Remarks* |
|---|---|---|---|---|
| 1952 | 1.9 | 0.1 | 2.0 | Available from FY '51 and '52 |
| 1953 | 1.3 | 0.1 | 1.4 | |
| 1954 | 1.0 | 0.1 | 1.1 | To be appropriated |
| 1955–59 | 1.1 | 0.5 | 1.6 | |
| Sub-total | 5.3 | 0.8 | 6.1 | |
| Value on Hand 6/30/51 | 3.0 | *0.1 | 3.1 | |
| Value of Completed Stockpile | 8.3 | 0.9 | 9.2 | |

*b. Obligational Authority Basis.* The unobligated funds as of 30 June 1951 amounted to $0.9 billion. New obligational authority (all in cash) for FY 1952 is expected to be about $0.6 billion making the total available for obligation in FY 1952 $1.5 billion. This is expected to be obligated during the year, hence further obligational authority will be needed for contracting activities in FY 1953 and 1954.

22. In addition to the $3.0 billion worth of material in the stockpile on 30 June 1951, there were $1.9 billion worth under contract. The total of $4.9 billion as compared to the $8.3 billion objectives leaves $3.4 billion to be purchased as of that date. In addition, there will be obligations made of about $100 million *per year* for the other expenses.

*Expenditures to 6/30/51. [Footnote in the source text.]

23. In order that full advantage can be taken of opportunities to obtain material for future delivery, funds must be available for obligation at all times. Based on recent experience, it is believed that the scheduled obligations of $1.4 billion for materials in FY 1952 will taper off to about $1.0 billion in FY 1953 and $0.6 billion in FY 1954. One reason for this is the fact that fewer materials each year will remain on the list still subject to purchase. By Fiscal Year 1955 it is expected that new commitments will be at a low annual rate.

SUMMARY OF FUNDS REQUIRED FOR OBLIGATION

| *Fiscal Year Needed* | *Amount Needed $ Billions* | | | |
|---|---|---|---|---|
| | *Materials* | *Expenses* | *Total* | *Remarks* |
| 1952 | 1.4 | 0.1 | 1.5 | Available in FY 1952. |
| 1953 | 1.0 | 0.1 | 1.0 | To be granted. |
| 1954 | 0.6 | 0.1 | 0.7 | To be granted. |
| 1955–59 | 0.4 | 0.4 | 0.8 | To be granted. |
| *Total* | 3.4 | 0.7 | 4.1 | |
| Value on Hand or on Order 6/30/51 | 4.9 | †0.2 | 5.1 | |
| Value of Completed Stockpile | 8.3 | 0.9 | 9.2 | |

24. On the theory that contract authority will no longer be granted but that all appropriations will be in cash, the following would be called for:

F.Y. 1952—$800 million cash, including $200 million to liquidate prior C/A, as presently included in the budget.
F.Y. 1953—$1.1 billion cash for obligation.
F.Y. 1954—$0.7 billion cash for obligation.

C. ANALYSIS OF EXTENT TO WHICH PROGRAM MEETS NEEDS OF NATIONAL SECURITY

25. The stockpile objective for any item represents the anticipated deficit between wartime needs and wartime supplies. The individual deficits vary greatly as to percentage of war requirements; thus in some instances such as copper, lead, zinc, and wool, the anticipated deficit is 20 percent or less and for others such as mercury and rubber the deficit is 80 percent or more. Stockpile performance, as between items, hence is not properly measured by the percentage fulfillment of individual objectives. Performance is more properly evaluated by examining the degree to which war requirements are met by the total

† Total obligations to 6/30/51. [Footnote in the source text.]

of assumed wartime supplies plus the amount of stockpile acquired. This comparison reveals the items for which national war requirements are far from being taken care of.

26. In Exhibits A and D only those stockpile items are included for which assumed wartime supplies *plus* stockpiles on hand 30 June 1951 total less than 80 percent of wartime requirements. The current preparedness status for all items on the stockpile list ranges from 100 percent downward to 3 percent in one case.

27. The purpose of the program proposed herein is to place emphasis on those items currently in the most dangerous condition and which prospectively will not greatly improve during FY 1952 and FY 1953 without extraordinary effort.

28. The recommended program of acquisition is that established by the Munitions Board and which in itself is limited by maximum estimates of what might be accomplished. It will be noted that the prospective 30 June 1953 status under the Munitions Board program (Column C, Exhibit A), while better than the status arrived at by projecting either from January–June 1951 acquisition rates (Column E) or from July–December 1951 programs established by the DPA (Column D), is far from satisfactory in many instances.

29. As will be seen from Column F of Exhibit A, there are many items for which the stockpiles will not prospectively be filled, even under this very ambitious program, until far later than 30 June 1953. The impact of these threatened shortages will center upon various phases of the military production plans or the industrial economy, depending on the item.

30. For example, columbite and cobalt shortages will limit jet engine production. Tungsten will affect armor-piercing ammunition as well as the broad field of industrial metal cutting tools. Quartz crystals, mica, tantalite, and talc shortages will affect electronics production. Corundum, industrial diamonds and refractories will affect industrial manufacturing efficiency as a whole, hence will affect all war and war-supporting programs. Manganese, needed for steel, affects everything.

31. To a degree these shortages can be absorbed by the development of substitutes; however, this is partial relief at best, and unless the substitute is developed and adopted prior to M-Day and is completely satisfactory and readily available, would cause loss of time and efficiency, and would be wasteful of manpower and other materials.

Exhibit "A"

COMPARISON OF PROJECTED SECURITY STATUS 30 JUNE 1953 UNDER VARIOUS ASSUMPTIONS AS TO F.Y. 1952 AND 1953 RATES OF STOCKPILE ACQUISITION

(Includes only those items for which assumed wartime supplies, plus stocks on hand 30 June 1951, total less than 80% of assumed wartime requirements)

| (A) | (B) | (C) | (D) | (E) | (F) | (G) | (H) |
|---|---|---|---|---|---|---|---|
| | *5-Year Wartime Supplies plus Actual or Projected Stocks on Hand—as Percent of 5-Year Wartime Requirements* | | | | *Colendar Year during which Stockpile would be Completed under Assumptions (C), (D) & (E)* | | |
| | | *Projected as of 6-30-53* | | | | | |
| *Material* | *Actual as of 6-30-51* | *If MB Program is met* | *If DPA determinations for Jul-Dec 51 are not improved* | *If actual rate of acquisition Jan-Jun 51 is not improved* | *MB Program Rate* | *DPA Rate for Jul-Dec 1951* | *Jan-Jun 1951 Actuol Rate* |
| Bristles, Hog | 3.0 | 79.6 | 44.2 | 44.2 | 1954 | 1956 | 1956 |
| Silk, Waste and Noils | 5.0 | 96.5 | 39.0 | 25.4 | 1953 | 1957 | 1960 |
| Columbite | 11.7 | 19.9 | 11.7 | 12.7 | 1960 | 1960 | 1960 |
| Asbestos, Crocidolite | 16.4 | 55.3 | 44.6 | 28.4 | 1956 | 1957 | 1960 |
| Talc, Block | 18.6 | 45.5 | (§) | 22.4 | 1958 | (§) | 1960 |
| Quinidine | 20.4 | 77.0 | 100.0 | 43.8 | 1952 | 1952 | 1958 |
| Asbestos, Amosite | 23.3 | 45.1 | 27.7 | 23.3 | 1958 | 1960 | 1960 |
| Opium (Morphine Content) | 23.5 | 73.1 | 67.1 | 72.1 | 1954 | 1955 | 1954 |
| Rare Earths | 24.2 | 63.7 | (§) | 24.2 | 1956 | (§) | 1960 |
| Corundum | 28.8 | 49.3 | 36.0 | 28.8 | 1958 | 1960 | 1960 |
| Tantalite ($Ta_2O_5$) | 30.2 | 46.6 | (§) | 30.4 | 1957 | (§) | 1960 |
| Asbestos, Chrysolite | 30.4 | 50.4 | 39.6 | 31.0 | 1958 | 1960 | 1960 |
| Feathers & Down, Waterfowl | 36.2 | 74.9 | (§) | 50.6 | 1955 | (§) | 1960 |
| Shellac | 38.8 | 65.2 | 100.0 | 88.2 | 1955 | 1953 | 1954 |
| Cobalt | 40.2 | 59.9 | 43.0 | 46.2 | 1959 | 1960 | 1960 |
| Palm Oil | 44.6 | 70.7 | 100.0 | 70.0 | 1953 | 1953 | 1955 |
| Cordage Fibers, Abaca | 45.5 | 67.9 | 71.1 | 55.7 | 1955 | 1956 | 1960 |
| Tungsten (W Content) | 45.9 | 65.5 | (§) | 48.5 | 1958 | (§) | 1960 |
| Quartz Crystals | 46.9 | 68.0 | 53.7 | 49.1 | 1958 | 1960 | 1960 |
| Graphite, Crucible Grade | 48.0 | 71.2 | (§) | 89.4 | 1955 | (§) | 1954 |
| Banxite, Refractory Grade | 49.9 | 64.8 | 49.9 | 49.9 | 1956 | 1960 | 1960 |
| Mica, Muscovite Film | 50.1 | 65.3 | 53.5 | 54.7 | 1958 | 1960 | 1960 |
| Mica, Muscovite Block | 55.8 | 69.1 | 57.0 | 58.8 | 1958 | 1960 | 1960 |
| Castor Oil | 55.9 | 73.0 | 71.7 | 58.7 | 1957 | 1957 | 1960 |
| Coconut Oil | 56.6 | 99.4 | 100.0 | 90.4 | 1952 | 1952 | 1954 |
| Manganese, Battery Grade | 56.6 | 80.3 | 81.4 | 59.2 | 1956 | 1955 | 1960 |
| Molybdenum (Mo Content) | 57.5 | 70.3 | 64.5 | 61.5 | 1958 | 1960 | 1960 |
| Cotton, Extra Long Staple | 59.1 | 87.2 | (§) | 68.7 | 1954 | (§) | 1960 |
| Diamonds, Crushing Bort | 60.8 | 72.1 | (§) | 69.6 | 1958 | (§) | 1960 |
| Quebracho Extract | 61.0 | 95.1 | 100.0 | 73.8 | 1954 | 1953 | 1957 |
| Chromite, Chemical Grade | 61.2 | 101.7 | 78.4 | 95.0 | 1952 | 1955 | 1953 |
| Chromite, Metallurgical Grade | 61.6 | 84.8 | 61.6 | 66.0 | 1955 | 1960 | 1960 |
| Rubber, Natural | 61.7 | 96.8 | 100.0 | 100.0 | 1952 | 1952 | 1953 |
| Kyanite | 63.2 | 100.0 | 75.8 | 84.8 | 1952 | 1957 | 1954 |
| Beryl | 64.8 | 96.8 | (§) | 77.6 | 1955 | (§) | 1957 |
| Chestnut Extract | 66.8 | 84.8 | 84.2 | 67.8 | 1955 | 1955 | 1960 |
| Manganese, Metallurgical Grade | 67.1 | 85.1 | 72.7 | 72.3 | 1956 | 1960 | 1960 |
| Chromite, Refractory Grade | 69.1 | 100.4 | 70.7 | 69.1 | 1953 | 1960 | 1960 |
| Hyoscine | 70.1 | 99.4 | 100.0 | 100.0 | 1952 | 1952 | 1952 |
| Tin | 70.5 | 100.5 | (§) | 86.7 | 1952 | (§) | 1955 |
| Manganese, Chemical Grade | 71.4 | 93.1 | (§) | 77.2 | 1954 | (§) | 1960 |
| Wattle Extract | 73.9 | 92.6 | 100.0 | 73.9 | 1954 | 1953 | 1960 |
| Nickel | 74.6 | 82.6 | 75.8 | 77.2 | 1959 | 1960 | 1960 |
| Sperm Oil | 77.8 | 100.0 | 100.0 | 100.0 | 1952 | 1952 | 1952 |
| Platinum | 77.9 | 92.8 | (§) | 100.0 | 1954 | (§) | 1953 |
| Fluorspar, Acid Grade | 78.1 | 95.4 | 85.9 | 84.1 | 1954 | 1957 | 1958 |
| Graphite, Lubricant Grade | 78.7 | 99.4 | (§) | 100.0 | 1952 | (§) | 1953 |
| Magnesium | 78.8 | 98.2 | 82.4 | 78.8 | 1954 | 1960 | 1960 |

§Defense Production Administration Program not yet firmed up. [Footnote in the source text.]

## Exhibit "B"

### Major Uses and Sources of Stockpile Materials

| *Material* | *Major Uses* | *Major Sources* |
|---|---|---|
| Aluminum | Aircraft construction | U.S., Canada |
| Antimony | Solder, low melting alloys, flame proofing, anti-fouling paint | U.S., Mexico, Bolivia |
| Asbestos | High-temperature insulation, flame resistant textiles, filters for protective devices | Union of South Africa, Southern Rhodesia, Bolivia |
| Bauxite | | |
| Metal | Alumina for metal, chemical industry and rubber industry | U.S., Surinam |
| Refractory | High temperature furnace linings | U.S., British Guiana |
| Beryl | Beryllium-copper for bearings, bushings, diaphragms | Brazil, India |
| Bismuth | Solders, bearings, anchors for dies and punches, pharmaceuticals | U.S., Canada, Mexico, Peru |
| Bristles, Hog | Textile dabbing brushes, non-sparking industrial brushes | China |
| Cadmium | Bearings, protective coatings, hardener for copper, cerium, gold and silver | U.S., Canada, Mexico, Peru, Australia |
| Castor Oil | Synthetic resins, lubricants, nylon, brake fluid | Brazil, U.S. |
| Celestite | Signal flares, tracer ammunition, filler for paints, rubber and plastics | Mexico, Spain, United Kingdom |
| Chromite | | |
| Chemical | Sodium bichromate, tanning, plating | Union of South Africa |
| Metallurgical | Stainless steel, high speed cutting steel | Union of South Africa, U.S.S.R., Turkey, Southern Rhodesia |
| Refractory | Linings and brick for metallurgical furnaces | Cuba, Philippines, Union of South Africa |
| Cobalt | High temperature alloys, tool steel, magnetic alloys | Belgian Congo, Canada, French Morocco |
| Coconut Oil | Lauryl alcohol, germicides, disinfectants, lubricants, incendiaries | Indonesia, Philippines |
| Columbite | Carbon stabilizer in steels, high temperature alloys | Nigeria, Belgian Congo, Brazil, India |
| Copper | Shell cases, rotating bands, electric conductor, foundry products | U.S., Chile, Canada, Union of South Africa |
| Cordage Fibers | | |
| Abaca | Marine cordage, drill cable, wire rope centers | Central America, Philippines, British E. Africa, Angola, Haiti |
| Sisal | | |
| Corundum | Heavy duty abrasive, optical abrasive | Union of South Africa |
| Cotton, Extra Long Staple | High speed sewing thread, balloon cloth, Byrd cloth, airplane fabric | Egypt, Sudan, Peru, U.S. |
| Diamonds Industrial | Grinding, polishing, drilling | Belgian Congo, Brazil, Union of South Africa |
| Feathers and Down, Waterfowl | Arctic sleeping bags, special clothing | China, U.S. |
| Fluorspar, Acid | Hydrofluoric acid, flux, ceramics | U.S., Mexico, Spain |
| Fluorspar Metallurgical | Flux in manufacture of steel, cast iron and ferro-alloys | U.S., Mexico, Spain |
| Graphite | | |
| Amorphous | Carbon brushes | Ceylon |
| Crucible | Crucibles and stoppers | Madagascar |
| Lubricant | Lubricants and packing | U.S. |
| Hyoscine | Motion sickness remedy | Australia |
| Iridium | Hardener for platinum, plating | Canada, Columbia, U.S.S.R., U.S. |
| Jewel Bearings | Instruments, timing devices | Switzerland, U.S. |
| Kyanite | High temperature refractory | Kenya, India |
| Lead | Ammunition, batteries, solder, babbitt, tetraethyl lead | US., Canada, Mexico, Peru, Australia |

MAJOR USES AND SOURCES OF STOCKPILE MATERIALS—Continued

| *Material* | *Major Uses* | *Major Sources* |
|---|---|---|
| Manganese | | |
| Battery | Dry cell batteries | Gold Coast, U.S. |
| Chemical | Oxidizer, photographic developer, gum inhibitor, stabilizer | Belgian Congo, Gold Coast, Cuba, U.S.S.R. |
| Metallurgical | Ferro-alloy for steel manufacture | U.S.S.R., Gold Coast, India, Union of South Africa |
| Mercury | Explosives, chemicals, electrical apparatus | Italy, Spain, Mexico, U.S. |
| Mica | Electrical insulation for radio, radar, magnetos, motors | India, Argentina, Brazil, Canada, Mexico, Madagascar |
| Molybdenum | Alloying element in steel, cast iron and non-ferrous alloys | U.S., Chile |
| Nickel | Alloying element in steel and non-ferrous alloys, plating | Canada, Cuba, New Caledonia, U.S.S.R. |
| Opium | Narcotic drugs | Iran, Turkey, Yugoslavia, India |
| Palm Oil | Manufacture of tin and terne plate, cold rolling of steel | Belgian Congo, Indonesia, Nigeria |
| Platinum | Electrical contact points, catalyst, electrodes, spinnerets for rayon nozzles for fiber glass | Canada, Columbia, U.S.S.R., Switzerland, Union of South Africa, Alaska |
| Pyrethrum | Insecticides | Belgian Congo, British East Africa, Brazil, Japan |
| Quartz Crystals | Electronic oscillators and filters, optical uses | Brazil |
| Quinidine | Treatment for heart ailments | Indonesia |
| Quinine | Anti-malarial | Indonesia |
| Rare Earths | Arc cores, optical abrasive, misch metal, cerium-magnesium alloy | Brazil, India |
| Rubber | Tires, tubes, clothing, insulation, mechanical goods, fuel cells | Indonesia, Malaya, Siam, Ceylon, Liberia |
| Sapphire and Ruby | Jewel bearings | Switzerland, U.S. |
| Shellac | Adhesive, protective coatings | India |
| Silk | Powder bags for large guns | China, Japan, Korea, Iran, Switzerland, Brazil |
| Sperm Oil | Lubricants, metal cutting and drawing | Norway, United Kingdom |
| Talc | Insulators for high frequency electronic circuits | India, Italy |
| Tantalite | High-temperature alloys, electronic tubes, manufacture of synthetic rubber | Brazil, Belgian Congo, Nigeria, Southern Rhodesia, Uganda, U.S. |
| Tin | Tinplate, solder, babbitt, bronze | Malaya, Indonesia, China, Bolivia, Belgian Congo |
| Tungsten | High speed steel, high temperature alloys, electronic tubes, armor piercing shot | China, Korea, Australia, Brazil, Bolivia, Peru, U.S. |
| Vanadium | Tool steels, alloy steels, chemical catalyst | Union of South Africa, Peru, U.S. |
| Vegetable Tannins | | |
| Chestnut | Tanning hides | U.S., Italy, France |
| Quebracho | Tanning hides, oil well drilling | Argentina, Paraguay |
| Wattle | Tanning hides | British East Africa, Union of South Africa |
| Wool | Military and civilian clothing, blankets | U.S., Australia, New Zealand, Union of South Africa, Argentina, Uruguay |
| Zinc | Galvanizing, die castings, brass and bronze, bleaches, paint, smoke mixtures | U.S., Canada, Mexico, Peru, Australia |

## Exhibit "D"

### Present and Projected Security Status in Stockpile Materials Which Are Currently in Most Critical Condition

### Projection Based on Munitions Board Acquisition Program Per Exhibit "C"

(Includes only those items for which assumed wartime supplies, plus stocks on hand 6–30–51, total less than 80% of assumed wartime requirements)

| (A) | (B) | (C) | (D) | (E) | (F) | (G) | (H) | (I) | (J) | (K) | (L) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | *Assumed 5-Year Wartime Supplies plus Actual or Projected Stocks on Hand* | | | | *5-Year Wartime Supplies plus Actual or Projected Stocks on Hand—as Percent of 5-Year Wartime Requirements* | | | |
| *Material* | *Unit* | *Assumed 5-Year Wartime Requirements* | *Assumed 5-Year Wartime Supplies excluding Stockpile* | *As of 6–30–51‖* | *As of 6–30–52‖* | *As of 6–30–53‖* | *As of 6–30–54‖* | *As of 6–30–51* | *As of 6–30–52* | *As of 6–30–53* | *As of 6–30–54* |
| Bristles, Hog | Lbs | 6,400,000 | ¶98,900 | 188,974 | 2,598,900 | 2,598,900 | 2,598,900 | 3.0 | 40.6 | 79.6 | 100.0 |
| Silk, Waste and Noils | Lbs | 10,000,000 | 150,000 | 502,053 | 6,650,000 | 9,650,000 | 9,650,000 | 5.0 | 66.5 | 96.5 | 96.5 |
| Columbite | Lbs | 72,161,000 | 1,799,000 | 8,467,175 | 12,395,029 | 14,327,307 | 17,027,307 | 11.7 | 17.2 | 19.9 | 23.6 |
| Asbestos, Crocidolite | ST | 5,300 | 731 | 870 | 2,131 | 2,931 | 3,731 | 16.4 | 40.2 | 55.3 | 70.4 |
| Talc, Block | ST | 3,550 | 285 | 669 | 1,214 | 1,614 | 2,014 | 18.6 | 34.2 | 45.5 | 56.7 |
| Quinidine | Oz | 2,562,913 | 4,000 | 523,938 | 1,973,938 | 1,973,938 | 1,973,938 | 26.4 | 77.0 | 77.0 | 77.0 |
| Asbestos, Amosite | ST | 45,000 | 9,180 | 10,481 | 15,402 | 20,362 | 25,202 | 23.3 | 34.2 | 45.1 | 56.0 |
| Opium (Morphine Content) | Lbs | 281,400 | 0 | 66,213 | 135,835 | 205,835 | 275,835 | 23.5 | 48.3 | 73.1 | 98.0 |
| Rare Earths | SDT | 20,700 | **1,700 | 5,000 | 9,689 | 13,189 | 17,889 | 24.2 | 46.8 | 63.7 | 86.4 |
| Corundum | Lbs | 55,000,000 | 15,606,000 | 15,814,560 | 21,506,000 | 27,106,000 | 32,806,000 | 28.8 | 39.1 | 49.3 | 59.6 |
| Tantalite ($Ta_2O_5$ Cont.) | Lbs | 3,831,000 | 653,000 | 1,155,344 | 1,584,217 | 1,784,217 | 1,984,217 | 30.2 | 41.4 | 46.6 | 51.8 |
| Asbestos, Chrysolite | ST | 30,000 | 7,124 | 9,116 | 12,129 | 15,129 | 18,129 | 30.4 | 40.4 | 50.4 | 60.4 |
| Feathers & Down, Waterfowl | Lbs | 19,195,000 | 6,831,000 | 6,942,662 | 13,385,324 | 14,385,324 | 16,885,324 | 36.2 | 69.7 | 74.9 | 88.0 |
| Shellac | Lbs | 38,750,000 | 5,280,000 | 15,024,467 | 22,172,741 | 25,272,741 | 29,272,741 | 38.8 | 57.2 | 65.2 | 75.5 |
| Cobalt | Lbs | 92,797,000 | 21,550,000 | 37,288,739 | 46,625,798 | 55,625,798 | 64,625,798 | 40.2 | 50.2 | 59.9 | 69.6 |
| Palm Oil | Lbs | 248,000,000 | 56,000,000 | 110,639,875 | 167,433,606 | 175,433,606 | 175,433,606 | 44.6 | 67.5 | 70.7 | 70.7 |
| Cordage Fibers, Abaca | Lbs | 450,000,000 | 125,400,000 | 204,888,732 | 260,400,000 | 305,400,000 | 305,400,000 | 45.5 | 57.9 | 67.9 | 67.9 |
| Tungsten (W Content) | Lbs | 189,000,000 | 43,000,000 | 86,798,760 | 106,238,147 | 123,731,852 | 141,078,331 | 45.9 | 56.2 | 65.5 | 74.6 |
| Quartz Crystals | Lbs | 13,500,000 | 3,032,000 | 6,337,560 | 7,980,001 | 9,180,001 | 10,280,001 | 46.9 | 59.1 | 68.0 | 76.1 |
| Graphite, Crucible Grade | ST | 20,500 | 5,699 | 9,842 | 11,903 | 14,590 | 17,717 | 48.0 | 58.1 | 71.2 | 86.4 |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Bauxite, Refractory Gr. | LCT | 603,000 | 300,600 | 300,600 | 330,600 | 300,600 | 450,600 | 49.9 | 54.8 | 64.8 | 74.7 |
| Mica, Muscovite Film | Lbs | 3,450,000 | 1,450,000 | 1,728,298 | 2,086,142 | 2,252,142 | 2,417,142 | 50.1 | 60.5 | 65.3 | 70.1 |
| Mica, Muscovite Block | Lbs | 12,050,000 | 5,050,000 | 6,721,527 | 7,523,033 | 8,323,033 | 9,123,033 | 55.8 | 62.4 | 69.1 | 75.7 |
| Castor Oil | Lbs | 1,077,000,000 | 574,000,000 | 601,729,734 | 686,000,000 | 786,000,000 | 886,000,000 | 55.9 | 63.7 | 73.0 | 82.3 |
| Coconut Oil | Lbs | 450,000,000 | 48,000,000 | 254,698,309 | 447,424,014 | 447,424,014 | 447,424,014 | 56.6 | 99.4 | 99.4 | 99.4 |
| Manganese, Battery Grade | LDT | 308,000 | 125,660 | 174,476 | 211,456 | 247,456 | 267,456 | 56.6 | 68.7 | 80.3 | 86.8 |
| Molybdenum (Mo Content) | Lbs | 341,000,000 | 176,000,000 | 196,121,904 | 218,792,704 | 239,792,704 | 260,792,704 | 57.5 | 64.2 | 70.3 | 76.5 |
| Cotton, Extra Long Staple | Bales | 938,009 | 542,500 | 553,912 | 692,500 | 817,500 | 942,500 | 59.1 | 73.8 | 87.2 | 100.4 |
| Diamonds, Crushing Bort | Cts | 66,400,000 | 28,700,000 | 40,377,591 | 44,067,730 | 47,867,730 | 51,567,730 | 60.8 | 66.4 | 72.1 | 77.7 |
| Quebracho, Extract | LT | 482,100 | 233,524 | 294,284 | 433,524 | 458,524 | 483,524 | 61.0 | 89.9 | 95.1 | 100.3 |
| Chromite, Chemical | LDT | 891,530 | 236,250 | 545,532 | 906,250 | 906,250 | 906,250 | 61.2 | 101.7 | 101.7 | 101.7 |
| Chromite, Metallurgical | LDT | 4,083,000 | 878,950 | 2,515,911 | 3,145,535 | 3,460,985 | 3,776,435 | 61.6 | 77.0 | 84.8 | 92.5 |
| Rubber, Natural | LT | 1,402,000 | 171,000 | 865,239 | 1,207,505 | 1,357,505 | 1,357,505 | 61.7 | 86.1 | 96.8 | 96.8 |
| Kyanite | SDT | 70,000 | 36,024 | 44,216 | 70,024 | 70,024 | 70,024 | 63.2 | 100.0 | 100.0 | 100.0 |
| Beryl | ST | 30,466 | 14,440 | 19,730 | 25,479 | 29,479 | 33,479 | 64.8 | 83.6 | 96.8 | 109.9 |
| Chestnut, Extract | LT | 238,000 | 158,730 | 159,002 | 180,730 | 201,730 | 291,730 | 66.8 | 75.9 | 84.8 | 92.3 |
| Manganese, Metallurgical | LDT | 8,722,000 | ††3,722,000 | 5,848,230 | 7,024,480 | 7,425,335 | 7,725,762 | 67.1 | 80.5 | 85.1 | 88.6 |
| Chromite, Refractory | LDT | 1,105,000 | 489,000 | 763,985 | 983,985 | 1,108,985 | 1,108,985 | 69.1 | 89.0 | 100.4 | 100.4 |
| Hyoscine | Oz | 10,815 | 3,750 | 7,580 | 10,750 | 10,750 | 10,750 | 70.1 | 99.4 | 99.4 | 99.4 |
| Tin | LT | 372,453 | 129,439 | 262,617 | 359,997 | 374,345 | 374,439 | 70.5 | 96.7 | 100.5 | 100.5 |
| Manganese, Chemical | LDT | 65,750 | 39,218 | 46,945 | 54,218 | 61,218 | 66,218 | 71.4 | 82.5 | 93.1 | 100.7 |
| Wattle, Extract | LT | 134,000 | 99,090 | 99,090 | 114,090 | 124,090 | 131,090 | 73.9 | 85.1 | 92.6 | 100.1 |
| Nickel | Lbs | 1,888,000,000 | 1,314,000,000 | 1,408,767,213 | 1,483,942,983 | 1,559,496,583 | 1,631,050,183 | 74.6 | 78.6 | 82.6 | 86.5 |
| Sperm Oil | Lbs | 22,600,000 | 0 | 17,575,267 | 22,600,000 | 22,600,000 | 22,600,000 | 77.8 | 100.0 | 100.0 | 100.0 |
| Platinum | TrOz | 1,901,100 | 1,115,000 | 1,480,278 | 1,624,772 | 1,624,772 | 1,904,772 | 77.9 | 85.5 | 92.8 | 100.2 |
| Fluorspar, Acid Grade | SDT | 948,700 | 719,000 | 740,780 | 839,684 | 904,684 | 969,000 | 78.1 | 88.5 | 95.4 | 102.1 |
| Graphite, Lubricant Gr. | ST | 12,500 | 7,022 | 9,840 | 12,162 | 12,422 | 12,422 | 78.7 | 97.3 | 99.4 | 99.4 |
| Magnesium | ST | 679,000 | 504,000 | 535,355 | 574,197 | 666,636 | 679,000 | 78.8 | 94.6 | 98.2 | 100.0 |

‖Based on Column (D) of this Exhibit, plus stock levels from Columns (F), (G), (H), and (I) of Exhibit "C." [Footnote in the source text.]

¶Computed supply and requirements cover first 2 years only on account of possibility of substitution thereafter. [Footnote in the source text.]

**Computed supply 10,273. Reduced to domestic supply, only. [Footnote in the source text.]

††Computed supply 6,434,720. Reduced to 3,722,000 on account of large shipping requirements and essentiality of item. Deficit becomes 5,000,000. [Footnote in the source text.]

S/S–NSC Files, Lot 63 D 351, NSC 114 Series

*Memorandum by the Policy Planning Staff to the Secretary of State*

TOP SECRET [WASHINGTON,] October 16, 1951.

## BRIEFING MEMORANDUM ON NSC 114/2 [1]

### BACKGROUND OF NSC 114/2

The President's directive of July 12, 1951 [2] called for two reports: The first, due August 1, was to review the status of national security programs and make "tentative recommendations as to the desirability of reaffirming or modifying the approved target dates for readiness under the presently approved programs, without definitive consideration for the time being of the magnitude of these programs . . .". The second, due October 1, was to contain "basic recommendations on which decisions can be made as to the nature, magnitude and timing of all government programs relating to the national security".

Unfortunately, neither task has been fully carried out. NSC 114/1 (August 8) [3] concluded that it was not possible at that time "to state the desirability of reaffirming or modifying the approved target dates for readiness under presently approved programs". The report showed that our programs were behind schedule and directed that all practicable measures should be taken to accelerate completion of the programs, but it was not clear what new target dates would be practicable.

NSC 114/2 contains no recommendations by the Senior Staff on the nature, magnitude and timing of national security programs. The report consists of (1) an agreed Senior Staff analysis of the development of military capabilities of the Soviet system and the free world and of their conflicting aims and objectives in light of the power situation and (2) program submissions by the individual departments and agencies. The military program was first unveiled last Wednesday, October 10, and it has not yet been thoroughly checked for feasibility by ODM and other interested agencies. As regards foreign assistance, ISAC has been unable to make any definite recommendations.

### DEVELOPMENT OF MILITARY CAPABILITIES

Part I of the report makes (or suggests) four points of special importance:

1. Soviet atomic capabilities are rapidly increasing. . . . There is a serious risk, under our present programs, that the Soviet Union might be able critically to hamper our retaliatory power by mid-1953 (see para. 6*f*, pp. 8–9). While considering this question, it came to

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[1] For partial text of NSC 114/2, October 12, see p. 182.
[2] *Ante*, p. 102.
[3] *Ante*, p. 127.

the Senior Staff's attention that the Air Force believes that the Soviet Union now has this capability—provided the bulk of the Soviet stockpile is allocated to this task and provided a surprise attack is made.

2. Our rate of development of civilian defenses is wholly inadequate in light of the rapid increase in Soviet atomic capabilities (see para. 6*h*, p. 9). On the basis of State–FCDA discussions, we believe that this paragraph of the report considerably understates the casualties we would have to expect. Preliminary results of FCDA studies indicate that casualties would be much higher than in Japan. We believe that if the Soviet Union used half its present stockpile (or an estimated 25 bombs) in a surprise mid-day attack on our most heavily populated and industrialized centers, about 12–14 bombs might be delivered on target with casualties upwards of 4,000,000 persons.

3. The foregoing paragraphs suggest that—unless our vulnerability to surprise attack on our industrial centers and on our retaliatory power is quickly remedied—the time may not be far distant when the deterrent value of our atomic capabilities will depreciate sharply and when even our willingness to initiate strategic atomic warfare in the event of general war may decline. The Defense and JCS representatives did not desire explicit discussion of this sensitive issue in the report, but the conclusion can be read between the lines of para. 7, pp. 12–14.

4. NATO forces may be able, taking account of all relevant factors, including the availability of some atomic bombs for tactical use in support of defensive operations and the delays in MDAP deliveries, to hold ground in continental Western Europe by mid-1953.

### TWO FACTORS RELATING TO BUDGET DETERMINATIONS

Budget Bureau studies indicate that on the basis of present programs (assuming that the House-approved revenue bill is enacted and that no new revenue bill is enacted in the next session of Congress), the federal deficit will be about $5–6 billion in FY 1952 and $14–24 billion in FY 1953. This will give rise to serious inflationary and control problems.

Although no comprehensive estimate is available, we believe that the cost to the Federal Government of an adequate civilian defense program would be about $5–6 billion over a two-year period. Most of this would be required for shelters and would therefore be of a nonrecurring nature.

### MAIN ISSUES

1. *The assumption that general war will not break out in FY 1953.* We recommend that the NSC specifically consider whether to adopt this planning assumption. The assumption is made by Defense (para.

24, p. 29),[4] and also by ISAC (paras. 31–36, pp. 38–40). We believe that the assumption should be adopted. Our present limited mobilization program is one which is said by Defense to permit a rapid change to full mobilization, if this becomes necessary. Even full mobilization would not, according to Defense, make possible a rapid acceleration of end-item output, and in our judgment it would greatly increase the risk of war.

2. *Continuation of limited mobilization.* In line with the foregoing, Defense recommends—and we believe State should concur—that the policy of limited mobilization be continued. As we understand the Defense submission, the new, higher force levels presented in its program are recommended as goals without any decision at this time as to when these forces will be fully equipped and ready. Present production schedules would be continued, which would mean that about 85 percent of the present production program would be delivered by the end of FY 1953. This would meet most requirements for initial equipment and part of the war reserve requirements, with the balance of the end-items financed out of carry-over and FY 1953 funds coming along rapidly in FY 1954 or scheduled over a longer period if the international situation permits. However, over and above the present submission by Defense, there is a requirement stated by the JCS for $50 billion of additional reserve stocks for U.S. forces and a requirement of $20 billion estimated by ISAC for both initial equipment and reserves for NATO forces. The Defense submission defers until later the production scheduling of such parts of these additional requirements as are finally approved. (In this connection it should be noted that normal screening and review might eliminate as much as 40 percent of these stated requirements.) We believe that these decisions should be deferred (subject to the qualification contained in the following paragraph), with the hope that the world situation will be such as to permit the scheduling of these additional requirements into FY 1954 and 1955 and perhaps beyond. This would permit a gradual tapering off of defense production and at the same time a volume of production sufficient to permit efficient operation of defense plants and to keep our forces supplied in large part with modern equipment.

3. *Allocation of end-items to U.S. forces and Allied forces.* There appears to be very little that can be done to accelerate rapidly the production of end-items. On this basis Defense tentatively recommends the inclusion of $5 billion of new obligational authority for MDAP purposes in FY 1953 (see para. 25, first table, p. 31). This may be compared with the estimated requirement of $17 billion which

[4] Part II of NSC 114/2, Summary Description of Programs (consisting of paragraphs 16–80); and Part III, Summary Tabulation of Tentative Estimates of New Obligational Authority, are not printed.

is shown in the summary table (next to the last page of the report) and which is based on the ISAC submission (Annex 2). We believe that the Defense submission is satisfactory, provided that the allocation of end-items actually produced is determined in accordance with the national interest. It is estimated by Defense (see para. 25, second table, p. 31) that deliveries of end-items in FY 1952 and 1953 will total approximately $62 billion (less something for manufacturers' inventories and work in process). If this large volume of deliveries can be allocated to U.S. forces and Allied forces in accordance with our interests in light of the international situation, either under existing legislation or under legislation which Defense would sponsor and support in cooperation with State, we believe that the Defense proposal can be accepted. In view of the fact that Defense estimates that MDAP deliveries financed from FY 1952 and previous appropriations will be completed by January 1953, it is probable that $5 billion will be sufficient for the balance of FY 1953, but very large obligations might be desirable in FY 1954.

4. *Protection of our atomic striking power against attack.* We are much disturbed over the difference of view (mentioned above) between the Air Force, on the one hand, and the Army, Navy, and Department of Defense, on the other, regarding the Soviet Union's capability now and in the future "critically to hamper" our retaliatory power. In our judgment the military program can not be said to meet the objectives outlined in para. 19 (p. 22) and to be adequate for the tasks outlined in para. 20 (pp. 22–23) unless it provides reasonable assurance that we will retain our power to retaliate heavily even in the event of a Soviet surprise attack. Unless this is assured, the danger that a surprise attack will be made is considerably increased. We believe that the NSC should satisfy itself either that the necessary measures have been or will be taken or that they cannot be taken. The latter conclusion would require a reconsideration of national strategy.

5. *Civil Defense.* There has been general agreement in the Senior Staff on the need for an expanded and accelerated civil defense program. However, we fear that the relation between such a program and the retention of the initiative in atomic warfare is not yet clearly understood and that, for this reason, the program will not receive the support which we think it deserves. We regard a large civil defense program as an essential counterpart of our large investment in strategic air. We believe that the NSC should specifically recommend that FCDA be directed to develop as a matter of urgency a comprehensive program for civil defense and that all other departments and agencies concerned be directed to assist FCDA in this task in any way they can and to give consistent support to the program in statements to the Congress and public. We believe that a program could be carried out in two years which would sharply reduce casualties and greatly

increase our recuperative powers and that the program would be more effective and less costly than the air defense program included in the Defense submission. Although we would prefer to have both programs, we believe that it would be wise to reduce the latter if this was necessary to obtain an adequate civil defense program. It is estimated that the most effective air defense system cannot stop more than 30 percent of an attacking force, whereas a large civil defense program can probably reduce casualties by 75 percent or more.

*Note on Military Assistance to NATO Countries*

The Defense submission indicates that total deliveries of hard goods and construction will run as follows:

| | |
|---|---|
| FY 1952 | $25 billion |
| FY 1953 | $37 billion |
| FY 1954 | $42 billion |

We have been informed by Defense that all deliveries to NATO countries for which financing will have been provided through FY 1952 will be completed by January 1953. This would require at least a five-fold increase in the present rate of deliveries, and past experience makes it difficult to believe that such an expansion will in fact occur. Assuming that it does, however, and assuming, furthermore, that deliveries rise to a level of about $1 billion a month (at least a ten-fold increase over the present rate) and remain at this level through FY 1954, about one-third of the total requirements for NATO countries would remain undelivered at the end of FY 1954. The conclusion seems inescapable that there will be a delay of at least one year in the completion of the MTDP, if the production program implicit in the Defense submission is approved. If the Defense submission is approved. our negotiating position in NATO is and will continue to be out of line with our ability to deliver end-items.

*Note on Apparent Conflict between Parts I and II of NSC 114/2*

Although the note of urgency contained in the early drafts of Part I has been toned down by the Senior Staff, Part I still suggests that the Soviet Union will achieve an atomic capability by mid-1952 which, together with its other capabilities, has serious implications. In short, it appears that the power position of the Soviet Union is improving relatively to that of the West and will continue to improve for some time.

The military program, however, in Part II stretches out our build-up over an even longer period than had been expected. We have been informally told by Budget Bureau and CEA that the rate of expenditures in FY 1953 and FY 1954, based on the Defense submission, will be lower than they have heretofore estimated on the basis of previous programs.

There is, therefore, an apparent conflict between the analysis in Part I and the policy assumptions on which the military program is based.

The most important question before the NSC is whether the rate of build-up implicit in the Defense submission (measured in terms of deliveries of end-items) can and should be accelerated.

No one doubts that some acceleration is possible, although there appears to be a difference of view between Defense and other agencies over how much acceleration could quickly be achieved. It is not clear whether the disadvantages which will be incurred if end-item production is accelerated offset the advantages of accomplishing more rapidly than now planned a relative improvement of the West's military position.

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S/S-NSC Files, Lot 63 D 351, NSC 114 Series

*Memorandum for the National Security Council by the Executive Secretary (Lay)*

TOP SECRET WASHINGTON, October 16, 1951.

Subject: United States Programs for National Security

Reference: NSC 114/2 [1]

After further consideration of the reference report on the subject in the light of the views of the participating departments and agencies, the Senior NSC Staff:

*a.* Requests that the attached revision of Part III be substituted for that contained in NSC 114/2 and the superseded pages be destroyed by burning; [2]

*b.* Recommends that the National Security Council take the following actions with respect to NSC 114/2:

(1) Recommend to the President that he authorize the responsible departments and agencies to proceed with the preliminary budget submissions for FY 1953 on the basis of the programs described in Part II of NSC 114/2,[3] subject to:

(*a*) The understanding that the Department of Defense will prepare preliminary budget submissions for the Military Program within the estimate of 45 billion dollars set forth in paragraph 25 thereof, pending further consideration of the 50 billion dollar requirement for additional reserve stocks;

(*b*) Revision of the Program for Foreign Economic and Military Assistance in the light of the results of the current work of

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[1] For partial text of NSC 114/2, October 12, see p. 182.

[2] Neither the original nor the revised version of Part III, Summary Tabulation of Tentative Estimates of New Obligational Authority, 2 pages, is printed.

[3] Part II, Summary Description of Programs, consisting of paragraphs 16–80, is not printed.

the Special Temporary Commission of the North Atlantic Council;[4]

(*c*) Revision of the Civil Defense Program in order to provide as a matter of urgency a more adequate degree of protection for the United States than is presently programmed in this field.

(*d*) Review of the Internal Security Program with particular reference to the sections thereof relating to the security of industrial plants;

(*e*) Further study of the economic, social and political implications of the programs as a whole;

(2) Direct the Senior NSC Staff to submit for Council consideration at the earliest practicable date a reappraisal of the policies and programs set forth in the NSC 68 and 114 series, including a revision of Part I of NSC 114/2 and in the light of:

(*a*) Further analysis of Soviet atomic capabilities as indicated by the recent explosion of another atomic bomb in the USSR;[5]

(*b*) The current evaluation of the net capability of the USSR to injure the Continental United States.

JAMES S. LAY, JR.

[4] For documentation on the work of the Special Temporary Commission, see vol. III, pp. 1 ff.

[5] On October 3, the White House announced that a second atomic explosion had occurred in the Soviet Union. For documentation on this subject, see pp. 685 ff.

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S/S–NSC Files, Lot 63 D 351, NSC 114 Series

*Statement by the Chairman of the Council of Economic Advisers (Keyserling)*[1]

[Extracts]

TOP SECRET [WASHINGTON,] October 16, 1951.

ECONOMIC IMPLICATIONS OF THE SECURITY PROGRAM

Submitted by the Chairman of the Council of Economic Advisers (with the concurrence of his two colleagues)[2]

1. In order to estimate the effect upon the domestic economy of the defense program in the next two or three years, it is not sufficient to make a cold statistical analysis in the precarious effort to determine the theoretical capacity of the economy to produce goods and services if every resource of manpower, of capital, and of materials does its full part in the cooperative effort. The actual results will be determined by how people act—people as the most important of the direct economic factors in production, but also people as consumers, and

[1] On October 16, Executive Secretary Lay transmitted this statement of 24 pages to the Members of the National Security Council and to the heads of other agencies involved in the preparation of the NSC 114 Series.

[2] The Council of Economic Advisers consisted of Leon H. Keyserling, Chairman; John D. Clark; and Roy Blough.

people as citizens who, in this democracy, will have to support any plan of Government which succeeds and who will surely bring failure to any plan which they turn against.

2. The last point discloses the most important and the most difficult question to be answered in reaching a judgment about the feasibility of the defense program at any level. In planning for security, we are assuming that the program will enable us to avoid general war, but that there may be serious danger for several years, and that our people must stand up under burdens and restraints for month after month with no certain end in sight and never a full peace to be seen ahead which the nation can reach by its own efforts regardless of what others do. General war would bring from them a response which subordinated every consideration of personal and family need and comfort and of business requirement to the overriding objective of national defense, but we hope to avert war. What we face is a period, perhaps many years, during which our people will become increasingly familiar, as are the Europeans, with the threat of international danger; will become more and more disposed to consider occasional alarums as cries of "wolf," "wolf"; and will be more and more inclined to give greater weight to their own desires and needs and less to the requirements of a national defense program which has become old stuff.

3. Assertion of the need to maintain civilian morale is no mere platitude under these circumstances. If any defense program is to succeed, it must not only have the cooperation of our people as direct participants in necessary numbers in production, in the places, for the daily periods, and at the wages called for by the program. The individual attitudes which determine whether this cooperation is given are equally controlling in the matter of public support of a Government policy. Fostering needed attitudes is especially important with respect to a policy which is of transcendental significance in the national scene, and the subject of intense discussion and debate. If public sentiment swings against our defense program, because they feel it weighs too heavily upon them, the reaction would probably not be limited to the matter of size of the program but might grow into hostility to the basic international policy of the Government to which the defense program is related.

. . . . . .

45. In summary, a national security program that will rise from slightly more than 15 billion dollars before Korea to nearly 80 billion dollars in the fiscal year 1954, or from slightly more than 5 to 20–25 percent of total national output, unavoidably presents a serious challenge to the determination and ingenuity of government, business, and labor. The economic analysis indicates that the program, in general, lies within our capacity to produce and need not require undue sacri-

fices either in terms of economic strength or consumers' standard of living.

46. This whole appraisal is handicapped because the program has not yet been translated sufficiently into specific material and other requirements; because it has not yet been scheduled sufficiently as to timing; and because it does not include items which must shortly be considered.

47. Even the now stated program requires, however, continued and further curtailments in many lines of production. It will produce dislocations which, while tolerable by the economy as a whole, will severely hurt some groups, including many small businesses. It also requires great restraints, through taxes or saving, in consumer spending. There is need, therefore, for comprehensive economic controls over production and prices and wages, and other stabilization measures. In a period of partial mobilization, such controls present serious problems of enforcement, enactment, acceptance. During the past year, the willingness of the people to put up with the inconveniences of controls has hardly been tested, because during that period, except for the fixed income receiver, virtually everybody gained. The coming period will test the readiness of the American people to pay the economic and social costs of a substantial security program. It is our belief that these costs could be sustained, if the American people become sufficiently convinced of the necessity for the program and of its fairness of execution to accept the hardships, dislocations and controls involved. In considering the program, the social and political factors must be weighed carefully and realistically, lest the whole effect be impaired by moving at a faster pace than the people are ready to go. Consideration must also be given as to whether the Government itself is prepared to accept and operate the more extensive administrative and directional responsibilities which a program of this size will involve.

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S/S–NSC Files, Lot 63 D 351, NSC 114 Series

*Memorandum by the Director of the Policy Planning Staff (Nitze) to the Secretary of State*

TOP SECRET [WASHINGTON,] October 17, 1951.

MR. SECRETARY:

Points of Emphasis in NSC Consideration of NSC 114/2.[1]

1. *The need for urgency*

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[1] For partial text of NSC 114/2, October 12, see p. 182.

The rate at which delivery of military end-items will increase has an important bearing on the conduct of foreign policy.[2] In the first place, it is a key factor in determining when the United States will achieve relative preparedness, which in turn has a considerable influence on the conduct of foreign policy. Our relative preparedness for war must be taken into account in deciding what initiatives we can take, when we can take them, and how far we can afford to pursue them. Our relative preparedness for war also affects importantly the attitude of allied and friendly countries toward our initiatives. Examples of this are Western German rearmament and the Korean war.

Secondly, the delivery of military end-items to allied nations is a key factor in determining when these nations will have confidence and security in their futures and in determining the pace and scale of their defense efforts. MDAP deliveries are way behind schedule, and this has already greatly complicated and increased the problem of persuading them to make the necessary defense effort. Our failure to meet our commitments to them necessarily affects their performance in the mutual defense effort.

As we understand the tentative program submitted by Defense, the question of urgency centers in the question of how and when the two items of $50 billion and $20 billion mentioned in the last paragraph on page 32[3] should be scheduled. We are not familiar with the physical and financial considerations which must be taken into account, but we would urge that to the extent practicable at least the second of these two items, reduced as much as possible by screening and review of estimated requirements, should be scheduled for production in FY 1953 and FY 1954.

Under this heading of urgency, we would also emphasize the need for an accelerated and expanded civil defense program, as a deterrent to war, as a means of safeguarding our initiative in the atomic field, and as an essential basis for rapid recuperation and mobilization in the event of attack.

2. *The allocation of end-items to U.S. forces and Allied forces*

Apart from the question of the rate at which delivery of military end-items will increase, though closely related to it, is the question of the share of U.S. forces and Allied forces in the actual output of military end-items. Although we recognize that the Defense program is tentative and that it is not intended to prejudge the volume of MDAP deliveries, we are nevertheless concerned about the fact that

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[2] For documentation on the Mutual Defense Assistance Program, see pp. 266 ff.
[3] Parts II and III of NSC 114/2, pages 21–69, are not printed.

the tentative program provides only $5 billion of new obligational authority for military assistance in FY 1953, and reserves a decision on the additional requirements of approximately $20 billion. If we are to proceed on any such basis, we urge that the NSC decide at this time that the allocation of actual output of military end-items shall be determined on the basis of the national interest in light of the international situation. If it is desirable and physically possible to make deliveries of end-items to Western European and other allied countries in excess of those for which obligational authority is available, we would want the active support of Defense and other interested agencies in obtaining such new legislation as might be necessary to make the larger deliveries.

PAUL H. NITZE

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S/S–NSC Files, Lot 63 D 351, NSC 114 Series

*Memorandum by the Counselor (Bohlen) to the Secretary of State*

TOP SECRET [WASHINGTON,] October 17, 1951.

Subject: United States Programs for National Security; Senior Staff Draft Recommendations to the Council

While we were discussing with you yesterday afternoon NSC 114/2,[1] the Senior NSC Staff drafted recommendations to the Council with respect to the action that is proposed for that report. These recommendations are contained in Mr. Lay's memorandum of October 16.[2]

In substance the Senior Staff recommends that the programs described in Part II of NSC 114/2 be used by the competent agencies for preliminary FY 1953 budget submissions.

With respect to Part I, which is the controversial portion of NSC 114/2, it is proposed that the Council direct the Senior Staff to submit "at the earliest practicable date a reappraisal of the policies and programs set forth in the NSC 68 and 114 series, including a revision of Part I of NSC 114/2". This work would be undertaken in the light of a further analysis of Soviet capabilities as indicated by the latest Soviet atomic explosion, and of the evaluation of the "net capability of the USSR to injure the continental United States".

This latter recommendation (paragraph *b*(2) of Mr. Lay's memorandum of October 16) means that Part I is not yet a fully agreed analysis of the situation in regard to the Soviet Union on the part of

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[1] For partial text of NSC 114/2, October 12, see p. 182.
[2] *Ante*, p. 229.

the NSC Staff. In remanding it to the Senior Staff for revision this will afford an opportunity by State to produce a more balanced picture of the USSR including the vulnerabilities of the internal situation, which, as you know, I have felt has been a weakness in this series.

We have been informed that the JCS will circulate certain specific comments on Part I of NSC 114/2 prior to the Council meeting this afternoon.[3] These comments, I understand, will attempt to correct what they regard as the overly pessimistic note of this section. It is highly unlikely that the Council itself will be able to examine these changes and since the paper itself is to be remanded for revision and re-appraisal by the Senior Staff, it would follow that the JCS suggestions should also be so remanded.

*Recommendation:*

It is proposed that you support the recommendations in Mr. Lay's memorandum of October 16.

[3] The Joint Chiefs of Staff expressed their views on NSC 114/2 in a memorandum to Secretary of Defense Lovett dated October 15. The Joint Chiefs stated that they had no objection to the military aspects of the paper and were not commenting on those features which were exclusively political, inasmuch as the latter were outside their purview. They did suggest certain changes in Part I of the paper in the interests of clarity and accuracy. On October 18, at the request of the Secretary of Defense, Executive Secretary Lay transmitted these comments to the members of the National Security Council and to the heads of the nonmember agencies concerned with the preparation of the NSC 114 Series. Neither the JCS memorandum nor Lay's memorandum of transmittal is printed. (PPS Files, Lot 64 D 563)

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S/S–NSC (Miscellaneous) Files, Lot 66 D 95

*Record of Actions by the National Security Council at its 105th Meeting, October 17, 1951*

TOP SECRET

*Note:* The President presided at this Council meeting

| *Action Number* | *Subject* |
|---|---|
| 574. | *The Situation in the Far East* |
| | Noted an oral briefing by Colonel C. E. Hoy, USA, Joint Chiefs of Staff, on the military situation in Korea. |
| 575. | *United States Programs for National Security* |
| | (NSC 114/2 and Annexes to NSC 114/2;[1] Memos for NSC from Acting Executive Secretary, same subject, |

[1] For partial text of NSC 114/2, October 12, see p. 182. For a list of the annexes, see p. 183. For Annex No. 2, see p. 412. For Annex No. 4, see p. 208. For Annex No. 5, see p. 942.

| *Action Number* | *Subject* |
|---|---|
| 575. (Cont'd) | dated October 12 and 15;[2] Memo for NSC from Executive Secretary, same subject, dated October 16;[3] Memo for NSC from Executive Secretary, subject: "Economic Implications of the Security Program", dated October 16, 1951)[4] |

*a.* Agreed to recommend to the President that he authorize the responsible departments and agencies to proceed with the preliminary budget submissions for FY 1953 on the basis of the programs described in Part II of NSC 114/2, subject to:

(1) The understanding that the Department of Defense will prepare preliminary budget submissions for the Military Program within the estimate of 45 billion dollars set forth in paragraph 25 thereof, pending further consideration of the 50 billion dollar requirement for additional reserve stocks.

(2) Revision of the Program for Foreign Economic and Military Assistance in the light of the results of the current work of the Special Temporary Commission of the North Atlantic Council.

(3) Revision of the Civil Defense Program in order to provide as a matter of urgency a more adequate degree of protection for the United States than is presently programmed in this field.

(4) Review of the Internal Security Program with particular reference to the sections thereof relating to the security of industrial plants.

(5) Further study of the economic, social and political implications of the programs as a whole.

*b.* Noted the statement by the Secretary of Defense of his understanding that the action in *a*(1) above provided a mere point of departure for budget planning and that the resulting budget figure might be higher or lower.

*c.* Directed the Senior NSC Staff to submit for Council consideration at the earliest practicable date a reappraisal

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[2] For the memorandum of October 12, see p. 192. The memorandum of October 15, circulating "Preliminary Estimates of the Impact of the Military Program on Production Resources" and attached charts, prepared by the Department of Defense, are not printed. (S/S–NSC Files, Lot 63 D 351, NSC 114 Series)

[3] *Ante*, p. 229.

[4] See footnote 1, p. 230.

| *Action Number* | *Subject* |
|---|---|
| 575. (Cont'd) | of the policies and programs set forth in the NSC 68 and 114 Series, including a revision of Part I of NSC 114/2 and in the light of:<br>(1) Further analysis of Soviet atomic capabilities as indicated by the recent explosion of another atomic bomb in the USSR.<br>(2) The current evaluation of the net capability of the USSR to injure the continental United States.<br>*Note:* The action in *a* above subsequently submitted to the President for consideration. Mr. McInerney for the Attorney General, the Secretary of Commerce, the Acting Economic Cooperation Administrator, the Federal Civil Defense Administrator, the Director, Bureau of Budget and the Chairman, Council of Economic Advisers participated in the above actions with the Council, the Secretary of the Treasury and the Director of Defense Mobilization. |
| 576. | *NSC Status of Projects*<br>Noted the status of NSC projects as of October 15, 1951. |

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PPS Files, Lot 64 D 563

*Memorandum for the National Security Council by the Executive Secretary (Lay)*

TOP SECRET WASHINGTON, October 18, 1951.

Subject: United States Programs for National Security

References: A. NSC 114/2 [1] and Related Papers
B. NSC Action No. 575–*a*.[2]

The President has this date approved the recommendation of the National Security Council (NSC Action No. 575–*a*.) with respect to NSC 114/2 on the subject, and directs its implementation by all appropriate executive departments and agencies of the U.S. Government, as follows:

The responsible departments and agencies are authorized to proceed

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[1] For partial text, see p. 182.

[2] See Record of Actions by the National Security Council at its 105th Meeting, October 17, *supra*.

with the preliminary budget submissions for Fiscal Year 1953 on the basis of the programs described in Part II [3] of NSC 114/2, subject to:

(1) The understanding that the Department of Defense will prepare preliminary budget submissions for the Military Program within the estimate of 45 billion dollars set forth in paragraph 25 thereof, pending further consideration of the 50 billion dollar requirement for additional reserve stocks.

(2) Revision of the Program for Foreign Economic and Military Assistance in the light of the results of the current work of the Special Temporary Commission of the North Atlantic Council.

(3) Revision of the Civil Defense Program in order to provide as a matter of urgency a more adequate degree of protection for the United States than is presently programmed in this field.

(4) Review of the Internal Security Program with particular reference to the sections thereof relating to the security of industrial plants.

(5) Further study of the economic, social and political implications of the programs as a whole.

In approving this recommendation, the President stated that the authorization contained therein establishes neither an upper nor a lower limit for budget estimates, but in accordance with the understanding of the Secretary of Defense as stated at the Council meeting, it constitutes a point of departure for the normal budget process.

JAMES S. LAY, JR.

[3] Part II of NSC 114/2, Summary Description of Programs, is not printed.

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700.5 MAP/10-1851

*Memorandum of Conversation, by Mr. Lucius D. Battle, Special Assistant to the Secretary of State*

TOP SECRET [WASHINGTON,] October 18, 1951.

The Secretary on his return from NSC yesterday discussed the meeting with Messrs. Matthews, Bohlen and Ohly.[1] He said that the Council had adopted the recommendations of the staff for referral back to the senior staff.[2]

He said that he had taken the memorandum which Mr. Nitze and Mr. Tufts prepared for him [3] and made that the basis of his remarks,

[1] John H. Ohly, Assistant Director for Policy and Program Development, Office of International Security Affairs.

[2] Regarding the action taken by the National Security Council, see Record of Actions by the National Security Council at its 105th Meeting, October 17, p. 235.

[3] Dated October 17, p. 232.

with the exception of a portion on page 2, which I believe was the last paragraph. Following this, Mr. Lovett spoke on the necessity for lead time in scheduling deliveries. He said this was a major difficulty. He then said that none of the European countries were complaining about the deliveries that were made and, in fact, the Danes were not able to take all that was being sent to them.

Mr. Wilson [4] said that it would be possible for us to meet the program which we had set out to meet, but the consequences as far as our domestic economy is concerned were very grave.

Mr. Keyserling said he thought there would be no real danger in doing what we had originally set out to do. He said we had a strong industrial system and could adjust as required.

The Secretary then said that he thought the problem fell into two parts. One was consideration of what we had done to date and the other was what we do from here on. He said we had gotten together a series of delivery dates and had communicated this schedule to other countries concerned. These countries had in turn keyed what they were able to do to the delivery schedules which we had furnished them. He pointed out that we had understood all about lead time when we prepared these figures and had figured it in our computations. He said he realized that Korea and Indochina had both resulted in heavier demands on us than we had anticipated. However, deliveries are now going at a rate of about 100 million per month. In order to do what we planned, we would have to jump deliveries to a rate of 400 million per month. He said he thought it apparent that we could not do what we had planned to do when we had asked for the funds to be appropriated.

The Secretary then said that we must adjust our foreign policy to this fact. He said that we could not continue trying to force European nations to continue to do as they had promised if we were not able to do what we set out to do. He said our foreign policy must be consistent with this fact.

Mr. Wilson then said that we could do a great deal more if we would stop changing designs and prepare one design and stick to it. He said that would result in matériel coming off the assembly line at a greatly increased rate.

The general difficulty of obtaining adequate figures on which to base conclusions as to what we would be able to do was discussed. As I understand it, this difficulty was appreciated and an effort is being made to get together more realistic schedules. I assume, although

[4] Charles E. Wilson, Director, Office of Defense Mobilization.

I am not clear on this point, that this stems from Mr. Harriman's[5] recent letter to the Secretary of Defense in which he requested certain studies.

[5] W. Averell Harriman, Director-Designate for Mutual Security. Harriman was confirmed by the Senate on October 19. The Mutual Security Agency came into existence formally on December 30. For information on United States organization for military assistance, see pp. 266 ff.

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JCS Records,[1] CCS 370 (8-19-45) Post-War Requirements for Military Forces

*Memorandum by the Joint Chiefs of Staff to the Secretary of Defense (Lovett)*

TOP SECRET WASHINGTON, 22 October 1951.

Subject: Review of the Current World Situation and Ability of the Forces Being Maintained to Meet United States Commitments.

1. In accordance with the directive contained in your memorandum, dated 22 February 1950,[2] the Joint Chiefs of Staff forward herewith their current review of the world situation and the ability of the forces being maintained to meet United States commitments. The Joint Chiefs of Staff believe that this review should not be circulated outside of the Department of Defense.

2. The following general conclusions from the review reflect the events of the three months preceding:

*a.* There is a present threat of additional Soviet and/or Soviet-inspired aggression directed against all non-Communist areas on the periphery of the USSR and/or its satellites and additionally, against those nations of the North Atlantic Treaty Organization (NATO) which do not border on Communist territory, as well as against Berlin, Trieste, Japan, Formosa, and Thailand;

*b.* The degree of the Soviet threat in each instance depends on the plans and intentions of the USSR, its willingness to engage in general hostilities, and/or its estimate as to the lengths to which it could go without provoking general hostilities. Inasmuch as these factors are not subject to control or determination by the United States or its allies, the initiative as to further hostilities on the part of the USSR and/or its satellites presently rests with the USSR;

*c.* The key to current international political maneuvers is the degree of importance which the USSR attaches to the rearmament of Japan together with the strengthening of NATO and the rearmament of Germany, and the measure which the USSR will adopt in the face of those eventualities;

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[1] National Archives Record Group 218, Records of the United States Joint Chiefs of Staff.

[2] Not printed.

*d.* Of basic importance to the position of the West vis-à-vis the USSR is the strength of the United Kingdom. That strength, and the influence of the British Commonwealth of Nations in world affairs, are showing indications of deterioration;

*e.* In view of the wide dispersal of the areas for which the United States has assumed obligations, and for other reasons, it is self-evident that the United States, even with assistance from its allies, does not now possess the means immediately to fulfill all its defense obligations in the face of overt armed aggression; nor can it for a considerable period achieve a posture of strength sufficient to cause the Kremlin to give up its long-term objective of world domination;

*f.* There is increasing evidence of the weakness of European overall support to United States Far Eastern military, political, and economic policies. In this connection, if current political action fails to stop deliveries of munitions and strategic material into Communist China from the Western World, the United States should press the nations allied in Korea to establish a naval blockade of Communist China;

*g.* Inasmuch as the Korean problem is a symptom of world tension, a satisfactory resolution of that problem probably cannot be achieved by politico-military action which is confined to Korea; rather, a resolution of that problem in a manner satisfactory to the United States is not to be expected unless and until there is a general relaxation of world tensions;

*h.* The growing Communist air build-up in North China and Manchuria has reached the stage where serious consequences might result therefrom for United Nations forces in the Korean area. Inasmuch as the security of United States forces in this area must be maintained, it may become necessary for the United States to employ its air power unilaterally and on short notice to attack certain Chinese Communist air bases;

*i.* If the Korean armistice negotiations do not move rapidly to a satisfactory conclusion, the United States is faced with the prospect of continuing to fight a politically inconclusive war in Korea, with the prospect of enlarging the scope of military operations beyond the bounds of Korea into China in an effort to bring the war to a successful conclusion, or with the prospect of reviewing our entire position in the Far East and in the cold war in an effort to seek other solutions to the problem;

*j.* If an armistice were arranged and became effective in Korea, the Chinese Communists might then redeploy forces for military operations elsewhere. In any event, an armistice in Korea would not necessarily assure peace and stability throughout the Far East;

*k.* The long-range importance to the security interests of the United States of a friendly and allied Japan makes it mandatory that the security of that nation against aggression by the USSR be assured at this time by the United States by all measures, including, if necessary war itself;

*l.* A premature withdrawal of French authority from Indochina would, in all probability, result in an early collapse of the Associated

States of Indochina and their inevitable fall to Communism. Accordingly, the United States should support present French policies whereby France will continue to furnish political and military advice, support, and guidance to the Associated States until such time as the development of those States justifies an orderly withdrawal of French authority;

*m.* From the military point of view, any action at this time to establish a system of regional security in the Pacific area would be premature;

*n.* A consequence of a war between India and Pakistan would be internal deterioration in both countries which might open the way for a Communist seizure of power in parts or all of India, a situation which would be of gravity to the security interests of the Western World. Accordingly, the United States should take energetic measures in the political, psychological, and economic fields to prevent such a war;

*o.* Loss of all or a large part of the Middle East to the USSR either through military action or as a result of internal disorder would create a grave situation for the Western World;

*p.* It is of great importance that the United States continue to take energetic measures to support the achievement of a solution of the Iranian problem which will:

(1) Provide for the continued orientation of Iran toward the Western World (this should receive overriding priority);

(2) Make possible an effective command organization for the defense of Iran in coordination with the other areas of the Middle East; and

(3) Assure the continued supply of Iranian oil to the Western World, at least during peace;

*q.* Considering the problem of the Middle East from the viewpoint of military operations only, it would appear that it may be some time before a decision can be reached as to the line upon which an effective defense could be established against invasion launched by the USSR, or as to the force requirements for such a task. Any defense which would secure a large part of the territory of both Turkey and Iran would require an effective allied command for the area in consonance with appropriate political arrangements, and reinforcement in considerable strength, particularly of Iran, at a relatively early date by forces such as those from Commonwealth nations, which are not now available. Such a defense would require timely retardation and demolition operations, including oil fields, involving forces not now available from the United States;

*r.* The current crisis in Egypt (together with that in Iran) could result in serious damage to United Kingdom prestige in the Middle East and in the world generally;

*s.* The United States should, in general, support the British position in Egypt, at least until the establishment of an effective Middle East command organization which could provide for the coordinated de-

fense of the Middle East and which would receive the wholehearted support of Egypt;

*t.* The security interests of the United States at this time would be greatly benefited if the British Commonwealth of Nations could achieve once more a state of political and military solidarity under strong and effective leadership by the United Kingdom; failing this, wholehearted support of United States military policies must be obtained from the several members of the British Commonwealth through other means;

*u.* The results of efforts made to date toward stimulating military production in Europe are far short of European needs. In this connection, the mobilization base of the allies should be expanded by the development and utilization of the industrial potential of Germany and of Japan as a source of munitions;

*v.* In light of the world situation, it is timely to accelerate the establishment of West Germany and Japan as strong partners and military allies of the United States; and

*w.* As programs are developed for the defense of the entire area of NATO, including West Germany, it may become necessary to review United States policies as to priorities of delivery among those nations receiving Mutual Defense Assistance Program material with a view to determine the desirability of expediting deliveries of end items of armament to the forces of West Germany.

3. In light of the current world situation and the foregoing conclusion relating thereto, the Joint Chiefs of Staff recommend the following actions:

*a.* Recognizing that the Kremlin apparently has not changed its objective of world domination, the Department of Defense should nevertheless request the National Security Council to take into consideration the improved military posture of the United States vis-à-vis the USSR in national policy decisions, without permitting, however, any relaxation of effort in continuing to improve that military posture of the United States;

*b.* The Department of Defense should request the National Security Council to examine the problems of the Middle East with a view to determining the capability of Turkey, possibly in concert with the United States, and with recognition of British and French political assets, to assume primary leadership in that area; and

*c.* The Department of Defense should request the National Security Council to undertake studies to develop the feasibility and the possibility of success of active United States support of the United Kingdom in bringing about a state of political and military solidarity within the British Commonwealth of Nations to the end that the integrated policies of the Commonwealth fully support the military requirements of the Western World; if the study indicates the futility of such a course of action, then to determine measures best suited for the United States, in the interest of its own security, to develop maxi-

mum support of United States military policies by the separate Dominions of the Commonwealth.

For the Joint Chiefs of Staff:
OMAR N. BRADLEY
*Chairman*

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PPS Files, Lot 64 D 563

*Memorandum by the Counselor (Bohlen)*[1] *to the Executive Secretary of the Policy Planning Staff (Watts)*

TOP SECRET [WASHINGTON,] October 26, 1951.

Subject: U.S. Programs for National Security, Council Action on NSC 114/2

A word of explanation has been needed for proper interpretation of NSC Action No. 575 of October 17 and the President's approval of the recommendation in NSC Action No. 575*a*.[2] This explanation was furnished by Mr. Lay to the Senior Staff on October 24.

Mr. Lay said "that the Senior State Member had agreed to prepare a draft of the political and foreign policy considerations to be included in the reappraisal; and that the Senior Defense, JCS, and CIA Members would prepare a revision of the portions of Part I of NSC 114/2 relating to military capabilities". The Defense Department, JCS and CIA will undertake this task in the light of:

"*a.* the revised estimate of Soviet atomic capabilities as indicated by the recent explosions in the USSR,[3] and of
*b.* the evaluation of the net capability of the USSR to injure the continental United States."

As to subparagraph (5) of NSC Action 575*a*, which had given rise to some questions, Mr. Gleason has told us that the "further study of economic, social and political implications of the programs" relate to the impact of the budget requests. No "assignment" is involved.

I have agreed at Senior Staff request to put together an analysis of Soviet intentions and internal vulnerabilities in connection with the reappraisal requested by the Council.

The target date for the "reappraisal and revision" is fixed by default, in a sense; they should be completed by the first week of

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[1] Department of State Representative on the Senior Staff of the National Security Council.

[2] For text of NSC Action No. 575, see p. 235.

[3] For documentation on the Soviet atomic tests which were announced on October 3, see pp. 685 ff.

December if they are to have the bearing they should have on the State of the Union and Budget messages. The NSC Secretariat is exerting pressure to expedite the net capability study referred to in NSC Action 575*c*(2), so as to make the target date for revision a practicable one.

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Truman Library, Truman Papers, PSF–Subject File

*The Chairman of the Council of Economic Advisers (Keyserling) to the President*[1]

WASHINGTON, November 2, 1951.

DEAR MR. PRESIDENT: I am sending you herewith an original and two copies of a letter from me to you, also dated November 2, and designated as "Top Secret".

I am sending this letter to you this evening because I am earnestly hopeful that you will be able to read it during the weekend and prior to your important conferences starting next Monday.[2] The letter is fairly long, but I feel morally convinced that it contains material which you will consider important at this time, whether you agree with all of it or not.

If you want to cut my head off after you read it, that will be all right too.

Respectfully yours, LEON H. KEYSERLING

[Enclosure]

*The Chairman of the Council of Economic Advisers (Keyserling) to the President*

TOP SECRET WASHINGTON, November 2, 1951.

DEAR MR. PRESIDENT: The recent visit of Mr. Harriman, and the coming visit of General Eisenhower, impel me to present to you a summary statement of my views on current economic issues related to the defense effort. Mr. Harriman tried to contact me when he was here, and I had hoped to have a talk with him. But I was called out of town by the death of my father, and consequently missed seeing Mr. Harriman.

The views contained in this letter are my individual views. They are transmitted to you in my role as an *ad hoc* participant in the work of the National Security Council, considering the implications of the defense program. I appreciate very much the opportunity which you have given me to work with the NSC on this matter. Consequently,

[1] The President made the following handwritten notation on the source text: "Copy Referred to Mr. [Charles S.] Murphy. HST."

[2] November 5.

and in view of the shortness of time before the problems which will again be confronting you next week, and for other reasons as well, I am not presenting these views in this form to anyone except you. This I feel it my duty to do. However, you know that I have held these views for a long time, and have expressed similar views in the presence of other appropriate persons.

As you know, I have devoted most of my time since the Korean aggression to study of the economic problems of national defense. I have pondered the lessons of World War II, while recognizing that the current situation is very different. I have attended, by choice, most of the meetings of the NSC senior staff, and discussed the issues with members of the NSC itself and with the other top mobilization officials. For all of them I have the highest respect and regard.

My views at this time may be summarized in two main points as follows:

(1) Even within the limits of congressional authorizations already made, the primary defense program in the United States, including both (*a*) the buildup of end items of fighting equipment at home and (*b*) the supply by the United States of already pledged matériel and equipment to forces and peoples overseas and particularly in Western Europe, should be moving faster than it has thus far moved. It is well within our economic resources and our organizing abilities to speed up these already determined programs. I can appreciate the many specific difficulties being encountered in meeting present production schedules. But I am firmly convinced that, despite these difficulties, much more could be done in the present mobilization framework. I shall not undertake in this communication to indicate what specific steps might be taken to accomplish this result. That is not the main purpose of this letter.

Briefly, however, I think that there is need for a more complete and firm programming and scheduling of primary defense production targets. There is need for a closer integration of these primary defense production targets with other aspects of domestic economic mobilization. And there is need for better integration of the whole domestic effort with the scheduling and meeting of established and contemplated foreign requirements. These needs seem to me to call for further improvement and further centralization of the overall programming of requirements and supply. As you know better than anyone else from your World War II experience, this overall programming of requirements and supply is at the very heart of the whole matter, whether the mobilization is "partial" or "total". In some respects, the need for this process is even greater in "partial mobilization", because in a total war the pressure of absolute necessity forces decisions which in a

period of partial mobilization may be too long delayed in the absence of effective overall programming. It seems to me that the first step in this direction would be the development of better production scheduling, and more effective expedition of production, in the defense establishment itself. I know that you will not regard these comments as being critical of anybody, in view of the great work which has already been accomplished. But I do not feel that these are the times for one to be silent for fear of being improperly accused of being "critical".

(2) The second point I want to make seems to me even more important that the first point as made above. This second point is that, if necessity so dictates, it is well within our economic resources as a nation, our organizing skills, and the attitudes of our people, to lift considerably even above current plans and programs the size and speed of our domestic defense program and our supply of needed items to forces and peoples overseas. As you know, I have never regarded it within my province or capacity to advise concerning the total size of the defense effort required for our national security and the security of the free world. That is a task for others in positions of greater competence on this subject. But I have recurrently stated my conviction that we should not let false economic considerations stand in the way of what the world situation may require; that many persons have consistently underestimated the productive power and expansive capacity of the United States economy; and that programs even larger than those now in process could be undertaken, *if and only if they are needed*, without overtaxing our basic economic strength. The record of what we did in World War II, and how far we exceeded conservative expectations, should be conclusive on this point. In making this observation, I am fully mindful of the important differences between the problems of "partial mobilization" and the problems of "total mobilization". These differences are not only economic, but also "political" in the broadest sense because they involve what the people are *willing* to do as well as what they are *able* to do. I shall make reference to these differences further on in this letter, but I do not believe that they impair the basic soundness of the two major conclusions which I have set forth.

Having summarized my position in the two points above, I shall now discuss some of the important issues arising in connection with the second of these two points.

A general view of economic developments seems clearly to illustrate that a larger and swifter program could be undertaken if it should be needed. The following table sets forth, adjusted to the price level of the first half of 1951, the gross national product and its major

components (at annual rates) for 1948, for the second quarter of 1950 (the period immediately preceding the Korean aggression), for the second quarter of 1951, and preliminary estimates for the third quarter of 1951.

*Gross National Product in First Half of 1951 Prices*

Billions of dollars, seasonally adjusted annual rates

| Period | Total gross national product | Personal consumption expenditures | Gross private domestic investment | Net foreign investment | Government purchases of goods and services (Fed., State, local) |
|---|---|---|---|---|---|
| 1948 | 278. 5 | 190. 7 | 47. 2 | −1. 1 | 41. 7 |
| 1950–2nd half | 306. 8 | 209. 5 | 56. 0 | −4. 2 | 45. 7 |
| 1951–2nd qt. | 324. 7 | 201. 2 | 63. 2 | . 5 | 59. 8 |
| 3rd qt.* | 325. 0 | 202. 0 | 56. 5 | 1. 0 | 65. 5 |

It is clear from the above table that, despite the enlarged defense program which is reflected in the expansion of Government purchases of goods and services, we have nonetheless maintained a tremendously high level of personal consumption for all the people of the United States. In addition, the expanding defense program and the very high level of personal consumption have left over enough resources to enable an enormous increase in private domestic investment, which means the build-up and sharpening of our productive tools and equipment and the expansion of plant and inventories. It seems to me that anyone looking at these figures would come to a full realization of the fact that our economy has not been fundamentally impaired, and is in no danger of being "wrecked," by the current defense program or even by a larger program if it should be needed.

Moreover, in looking toward the future, one must take into account not only the growth in the total productive power of the economy which has already occurred, but also the further growth which is clearly in prospect. It is a reasonable certainty that over the next few years, particularly with the vast expansions of production facilities which have occurred and which are now under way, that total national production should increase by about 5 percent per annum. This means that, even if a larger or swifter defense program should be necessary, there will be abundant resources left over to maintain a very high level of consumer supplies and to continue the build-up of basic productive equipment. Many of those persons who underestimate what programs our economy can stand make the fundamental mistake of measuring future needs against a static instead of a dynamic concept of the economy as a whole. You will recall vividly how that mistake

*Very rough and preliminary estimates. [Footnote in the source text.]

was made by some people in relatively high places a decade ago, and what it would have cost the country and the world if their views had prevailed.

The relative abatement of inflationary pressures and upward price movements, since early 1951, is a concrete illustration of the point I have just made. It is true that the establishment of a wide range of controls, both direct and indirect, has helped greatly to hold down the inflationary forces. But even more fundamental has been the fact, foretold by some of us in analyses made at the time of the Korean aggression, that the productive power of the American economy was sufficient to carry a very large defense program and at the same time service more than adequately the other needs of our economy. In fact, as the above table shows, total production since the Korean aggression has grown almost as much as the defense take, so that our whole economic plant is bigger and stronger today than it was at the middle of 1950.

The argument is made in some quarters that the aggregate figures which I have cited do not convey a true picture, because they do not reveal the strain upon particular facilities and materials in short supply. It is true, of course, that the strain on some parts of our economy is much greater than the strain on the economy as a whole. It is also true that certain specific shortages hold the feasible expansion of the defense program down to lower levels than would be possible if one looked only at the economy as a whole. Nonetheless, these specific shortages of facilities and materials are by no means as serious or limiting a factor as they were during the early stages of World War II. They do not of necessity hold the defense program to its current size or pace. A more careful analysis, item by item, of where these shortages exist, would make it clear that the defense program, if necessary, could be further expanded or expedited. Of course, such a decision would require somewhat further cutbacks in the supply of durables for consumer use, and a somewhat tougher policy toward nonessential construction. But such changes would by no means be intolerable.

There are many who concede the foregoing propositions. But they argue that to shift from the current defense program to a larger or faster program would require a shift from the current policy of "partial mobilization" to a policy of "total mobilization," and that this would be unwise. This argument, it seems to me, gets the wrong answer by mis-stating the issue. Everybody in his right mind admits that it would be well-nigh fatal to embark now upon a "total mobilization." We hope we will never have to do so. But neither a "total mobilization" nor a "partial mobilization" is an arbitrary concept with fixed and unchangeable boundaries. You will recall from World War II experience

that, throughout that war, different people had very different ideas about the content of "total mobilization." Even after "total mobilization" was an actuality, the program undertaken changed as to size and composition, and as to the concept of what we were able to do and should do. Likewise, a "partial mobilization" can vary considerably as to size and composition, depending upon the need, without approaching "total mobilization."

It is obvious, theoretically, that a "partial mobilization" could be pushed so far that it would be the same thing as "total mobilization," or pushed so far that it would be economically or politically unwise to attempt it during a period when "total mobilization" is clearly undesirable. But the current "partial mobilization" has not reached that point, and it is still a long, long way from having reached that point. I believe that the "partial mobilization" could be considerably larger or faster, *if necessary*, without any fundamental departure from the basic policy or philosophy now prevailing. It would simply require a harder organizing effort, and, as I have said, some further cutbacks in some areas and some further conversion of a few of our basic productive facilities. Both of these changes are well within our economic capacity, and neither of them would disrupt our economy or prevent maintenance of a very high level of consumption and productive expansion.

Manifestly, a larger program is harder to do than a smaller program, and causes more inconvenience to many interests. But what is hard should not be confused with what is impossible; and inconvenience should not be confused with real hardship. I believe that the defense program, *if need be*, could be made larger or faster without imposing real hardship upon any large or vital segment of the economy; and, of course, the hardship imposed must be balanced against the urgency of the defense need.

I do recognize that material shortages are currently causing serious difficulties for many small firms. As you know, I have been very sympathetic toward the small business problem. However, I am firmly convinced that ingenuity and sympathetic effort can bring small business into the defense effort or cushion the shock imposed upon some of them. No one should expect, however, to do the defense job and not disturb any of the thousands of small producers of nonessentials.

The argument is made in some quarters that a larger or more rapid defense program *might* be feasible if the Congress were willing to take more adequate measures to contain inflation; but that such enlargement is *not* feasible because the Congress has not demonstrated

willingness to take such action. I believe that this argument is weak in several vital respects. In the first place, the argument seems to me to move around in a circle. It seems to me to say: "The Congress has been deficient; therefore the Chief Executive should adjust the programs which he recommends for the national defense in accord with these deficiencies; and this in turn will provide a rationale for the Congress to be even more deficient." The times seem to me too perilous for that kind of circular process. In the second place, the productive power of our economy is such that I believe a considerably larger or faster defense program might be undertaken, *if needed*, without causing irreparable inflationary damage, even under the control and tax programs thus far initiated (although, of course, stronger controls and higher taxes are now highly desirable). The record of economic events since the beginning of 1951 seems to bear this out. Even if some substantial additional inflationary pressures should be generated, that should be balanced against the imperative character of the needs of the United States and of the free world. Inflation is a bad thing and should not be underestimated. But it would seem to me highly dangerous to be concerned so exclusively with inflationary dangers as to underestimate Communist dangers. The Communist danger is the central, overwhelming danger which our economy faces. If that danger is not met, our economy and our way of life may be destroyed. If that danger *is* met, no one who has studied the history of United States economy can doubt that our economy and our people will continue to be productive and to thrive and prosper even if unavoidably there should be some more inflation. Besides, if an enlarged program should produce the actuality of renewed inflationary pressures, it is at least arguable that the Congress would respond with the reassertion of stronger controls. In any event, those who are not defeatists must bank on this possibility. Beyond all this, we should always bear in mind that our inflationary problem is slight indeed compared with that of the Western European nations who are attempting large rearmament programs with shortages of productive facilities and of raw materials far more serious than ours. We have an inflationary problem, but it is not to be compared with the inflationary problem in England or France, in Italy or Belgium.

The question of taxation and balancing the budget relates closely to the foregoing question. There are those who say that we could have a larger defense program if the Congress were willing to raise more taxes, but that we cannot have it because of the large deficits which will arise under current and prospective tax programs. Of course, it is highly desirable to increase taxes further, to avoid large deficits,

and to try to balance the budget. If this can be done consistently with meeting security needs, so much the better. But a serious deficiency in the security strength of the free world, or of the United States, would be infinitely more dangerous and devastating than a sizeable deficit in the Federal budget. Whether the national debt increases by 5 or 10 or even 20 billion dollars over the next few years is of great economic importance; but it is of relatively minor importance compared with the satisfaction of defense needs. An economy which is producing 325 billion dollars worth of output per annum, and which will achieve a 400 billion dollar output within a few years, is not going to be overturned or "wrecked" depending upon whether or not the current national debt is enlarged by 5 percent or 10 percent or 15 percent within the next few years. There have been other periods in our fairly recent history when some people have thought it more essential to balance the budget than to fight evils which threatened to overturn our whole society. Those people were wrong. I do not want what I have just said to be construed as a failure to realize that we should go as far as we can toward balancing the budget and as far as we can toward avoiding deficits. But even from the purely economic viewpoint, not to speak of the viewpoint of national security, first things should come first. In passing, I think the deficit under current programs will be less than some estimates which do not allow sufficiently for further increases in production and national income. This miscalculation has already occurred in recent years.

The argument is also made that we in the United States should not do more until and unless other nations do more. This argument has a degree of merit, and is certainly valuable for bargaining purposes. But when this argument is pushed too far, it takes on the nature of a new and dangerous form of quasi-isolationism. The strongest rower in a boat, engaged in a race for life itself, must pull as hard as he can. He must pull harder than the other rowers because he is stronger, and he must realize that his doing his best will stimulate the other rowers toward doing their best. Part of the job of exhorting the other rowers should be left to the cox. If too much of it is done by the strongest rower, the crew may become demoralized. In fact, the analysis of what we are doing compared with what other nations are doing sometimes uses figures which are not valid. For example, to say that we are devoting a larger portion of our national product to defense than some other nations gives a distorted picture. It overlooks the fact that their standards of living are so near the bottom of the level of tolerance by their people, and their resources for building up their productive equipment so scanty, that they simply cannot afford

to devote even so large a *proportion* of their total resources to the military effort.

Finally, the argument is made that, whatever the economic facts of life might be, the "political" considerations require that the defense program and its inconveniences not be pushed beyond the level which the American people will support for a long period of time. This is undoubtedly a sound argument in principle, but its practical application gets down to questions of hard fact and quantitative degree. As one observer, I have not yet detected widespread evidence that the American people in the main are writhing or rebellious under the impact of national defense. There are some noisy groups who are complaining, or who are hollering before they are really hurt. But they would be hollering even if the program were smaller, and will not be able to holler much louder even if it were larger. This does not mean that I think that the American people would be willing to sustain, during a cold war, burdens of a size which they would gladly bear in a total war. But I believe that, *if necessary*, a substantially larger or faster defense program could be undertaken without very great impairment of the fundamentals of living standards. I believe that considerably further reductions in such things as new model automobiles and television sets and many other things of that type would be manfully tolerated by the American people if they know the need. I believe that they would support some further industrial "conversion". It seems to me that the great "political" danger may arise, not from the size of the defense burden, but from a feeling on the part of the American people that the defense accomplishment is not large or swift enough even in terms of the authorizations already made available, or a feeling on the part of the American people that the defense program falls short of the need. Of course, I do not pretend to any expertness on this particular subject. But I do not like to see "political" arguments advanced by some to hide their cloudy thinking or lack of determination. May I make bold to suggest that it has always been the outstanding characteristic of your leadership to state the need as you see it, and to trust that the American people will also recognize the need. I do not believe that such trust will ever be misplaced.

You will recall, Mr. President, that when you decided that the defense program had to be raised above 13 billion dollars, more or less, there were a great number of sound and responsible citizens—including highly competent economists and some other Government officials—who thought that any substantial lifting of *that* program would seriously embarrass or even fundamentally impair the United States economy. There is no need now to comment upon the fallacy of this

view which was then held. This does not mean that there is *no* limit to what our economy can stand, or that we can lift the effort above current levels as easily as we could lift it above 13 billion dollars a year. But there is some value nonetheless in the lessons of the past, which have repeatedly demonstrated the power of our economy, and have revealed the danger which would arise if we set aside the most imperative of national needs on the mistaken ground that we could not afford to meet them. Whatever might be the point of safety beyond which the defense effort could not be lifted in a period of "partial mobilization", I feel strongly that a careful analysis of the facts will not support the contention that this point has yet been reached.

While I am presenting these views to you alone, Mr. President, it goes without saying that in your judgment they are available for presentation wherever you see fit. I am prepared, at your direction, to reinforce these general views with a more elaborate presentation of facts. But I have thought it more desirable at this moment to cover the high spots.

Whatever my views may be, I assure you that, in the future as in the past, whatever decisions you may reach will have my support to the limits of my strength and ability. For I realize that you are in the best position to view the whole picture, including parts of it which I cannot possibly see.

Respectfully yours, LEON H. KEYSERLING

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711.5/11-2051

*Minutes of the Nineteenth Meeting of the Defense Mobilization Board, Washington, November 14, 1951* [1]

CONFIDENTIAL

DMB-M-19

PRESENT

*Board Members, Alternates and Staff*

Hon. Charles E. Wilson, Chairman

Hon. Jack Gorrie, Chairman, National Security Resources Board

Hon. Eric Johnston, Administrator, Economic Stabilization Agency

Hon. W. Stuart Symington, Administrator, Reconstruction Finance Corporation

Hon. E. H. Foley, Under Secretary of the Treasury (representing the Secretary of the Treasury)

[1] Transmitted to the Secretary of State by H. Dewayne Kreager, Executive Officer, Office of Defense Mobilization, on November 20.

Hon. William C. Foster, Deputy Secretary of Defense (representing the Secretary of Defense)

Hon. Richard D. Searles, Under Secretary of the Interior (representing the Secretary of the Interior)

Hon. Clarence J. McCormick, Under Secretary of Agriculture (representing the Secretary of Agriculture)

Mr. Harold Linder, Deputy Assistant Secretary for Economic Affairs (representing the Secretary of State)

Mr. William H. Shaw, Office of the Secretary (representing the Secretary of Commerce)

Mr. Ewan Clague, Commissioner of Labor Statistics (representing the Secretary of Labor)

Mr. Ralph S. Trigg, Deputy Administrator for Program and Requirements (representing the Administrator, Defense Production Administration)

Mr. Winfield W. Riefler, Assistant to the Chairman (representing the Chairman, Board of Governors, Federal Reserve System)

Mr. Clay P. Bedford, Assistant to the Director, ODM

Mr. Rodolfo A. Correa, General Counsel, ODM

Mr. Andrew H. Berding, Assistant for Information Policy, ODM

Mr. H. Dewayne Kreager, Executive Officer, ODM (Secretary of the Board)

*By Invitation*

Hon. Telford Taylor, Administrator, Small Defense Plants Administration

Hon. J. D. Small, Chairman, Munitions Board, Department of Defense

Mr. Raymond G. Fisher, Assistant to the Director, ODM

Mr. Arthur S. Flemming, Assistant (Manpower) to the Director, ODM

Mr. Henry H. Fowler, Deputy Administrator, National Production Authority

Mr. Dal Hitchcock, Assistant for Programming, National Security Resources Board

Mr. George P. Hitchings, Business Analyst, ODM

Mr. Wesley McCune, Executive Assistant to the Secretary, Department of Agriculture

Mr. J. Murray Mitchell, Assistant to the Director, ODM

Mr. James L. Sundquist, Reports and Statistics Officer, ODM

Mr. Alfred C. Wolf, Acting Executive Assistant to the Secretary, Department of the Interior

The meeting convened at 11:00 a. m. in Room 211, Executive Office Building.

Mr. Wilson introduced Mr. Telford Taylor, Administrator of the Small Defense Plants Administration.

I. *Approval of the Minutes of the Eighteenth Meeting of the Board* [2]

The minutes of the eighteenth meeting of the Defense Mobilization Board, October 24, 1951, were approved as distributed to members in advance of the meeting, to include a revision of the record of Mr. Martin's statement on voluntary credit (page 4, Item III, paragraphs 3 and 4) as requested by Mr. Riefler. (See DMB–M–18, Revised page 4.)

II. *Actions Required to Place the Mobilization Program in the Strongest Possible Position in re Public Understanding and Support*

Mr. Wilson emphasized the importance of insuring full public understanding of the need for the mobilization effort and actions stemming therefrom if public support is to be accorded to this national security effort. In this connection he read the following statement for the record:

"The Mobilization Board will have only one more meeting before many of us concerned here will be involved in the drafts and specific suggestions on the Fourth Quarterly Report and the Presidential messages to the new Congressional session. I am most anxious that we all here take a forward look to lay out the actions we should take within this next week so that we will have available to us before the Congress returns, the kind of information we need on the present status and problems of our mobilization effort and where we stand in relation to some of the key policy issues.

"This is the top Mobilization Advisory Board. We have a common background of having discussed over nearly a year some of the policy problems and some of the actual situations which have confronted us. I thought it would be very much in keeping, and it is certainly the general point uppermost in my mind, to discuss here this morning the problems that you people see ahead and the steps that you feel we might take now to try to put ourselves in the best possible position to meet those problems. I am going to indicate a few notions which I have in mind and then I would like to open the meeting and welcome your comments and discussions on matters which have occurred to you.

"Before I get to specific problems and actions, however, I want to point out that I have considered both of these in the light of the partial mobilization policy which we have pursued up to this time. This policy was reaffirmed by the National Security Council a few weeks ago and by this Board at the conclusion of its last meeting. I feel, however, that

[2] Not printed.

we must always keep this an open issue, and I would thus like to get your feelings in this matter as well as on the specifics.

"As background for this, I might give you my definition of what is involved in partial mobilization.

"*First*, the creation of a defense force adequate to support United States commitments in the light of the present world situation.

"*Second*, a military production program adequate to equip and sustain the United States forces and provide, in addition, the United States' share in the equipping of other Free World forces.

"*Third*, the creation, over a period of time, of additional capacity for the production of military end-items which would provide the base for rapid full mobilization if demanded by world conditions.

"*Fourth*, a large expansion in key industrial capacity, including such segments as basic raw materials, power, fuels, food, and transportation, which are essential to support in a partial mobilization period both an expanded military establishment and reasonable levels of civilian consumption or, in the case of war, to sustain an all-out effort, and

"*Fifth*, the maintenance of a sound civilian economy.

"As we all know, the translation of this policy into specific programs and the administration of these programs has proven a very complex job, I am afraid that many fail to realize this, since they assume that something which is partial must by definition be easier than a total job. It is probably because of this lack of appreciation as to the true magnitude of the total job that we are now having so many questions raised and are bound to have a lot more raised as soon as Congress gets back to town. In other words, one of the things we must continue to work on is the public understanding of the mobilization program in the terms I've outlined above, or such other times as we decide may be necessary.

"Without going into detail, we all know that we have now reached a point where our resources are thinly spread and where large changes in any of our programs would bring about basic changes in others. Because of this fact it is no longer possible to appraise the effect of changes in the military program without very careful review as to the impact of these changes on the other segments of the economy which are also serving a mobilization purpose. Because of this, Mr. Lovett and I have agreed that before the 1953 budget is processed a joint review should be made of the entire requirements and the over-all production picture.

"As their part of the job, the people in Defense are now making a recomputation of their military requirements and fiscal needs. At the same time, the people in the Defense Production Administration are reviewing the resources needs for our basic expansion programs and for the maintenance of reasonable levels within the civilian economy. By the end of this month we should be able to sit down together and arrive at a reasonable answer to this basic problem of resources use. At the same time, we from the civilian mobilization agencies are carrying out a joint review of scheduling and production control procedures with the various services.

"Meanwhile, we have gone far enough in expanding military production and cutting back the civilian economy to bring about the need for reappraisal of our utilization of industrial capacity and manpower. This has necessitated several actions. Within the last week we have arrived with Defense at a procedure for reviewing our needs for additional production facilities. Under the arrangement the Production Executive Committee, in cooperation with the various services, the Munitions Board, and the industry divisions of NPA, will review all defense financed requests for new industrial facilities costing $1 million or over. Unless there is a very good reason, all such requests will be turned down if a suitable existing facility can be located. Closely tied into this, of course, will be a very close scrutiny of tax amortization requests.

"Along the same lines we are taking some very definite steps to review our procurement policies with a view to seeing that in all cases possible new contracts are placed in such a way as to take maximum advantage of the capacity and manpower now being freed up by cutbacks in the civilian economy. Several specific steps have already been taken, including arrangements for wide-spread circulation in procurement channels of the names and capabilities of specific firms receiving large cutbacks in their materials allotments, and the holding of clinics between procurement officers and such companies. I feel, however, that a great deal more needs to be done, including, perhaps, a basic review by Defense of their procurement policies.

"All of these are examples of what we can do now to firm up our knowledge and to be in a better position both to produce on our planned schedules and to relate the other mobilization policies to realistic schedules.

"Lastly, I am more and more concerned about our problem of mineral supplies. I am sure that we are going to have to go over our pricing policies again soon if we are to secure the maximum possible under current circumstances. I hope that everyone involved will keep minerals' prices under constant review in order that we may again review the situation by December 15 to see if price or other actions are indicated.

"I haven't included in my remarks anything of a specific nature on stabilization problems. I don't want this to indicate, however, that I feel our discussion should exclude these areas. I would like to have your thoughts on the whole sweep of our problems."

Mr. Wilson requested the comments of the members of the Board or their representatives present, noting that the real policy decision pending was whether or not the Government continued under the current partial mobilization policy.

Mr. Fowler, for Mr. Fleischmann,[3] suggested the impending possibility of allocation by legislative action, evidences of which began to emerge at the conclusion of the past session of the Congress. He

[3] Manly Fleischmann, Administrator, National Production Authority.

noted how near the first session of the 82nd Congress came to passing a joint resolution requiring larger allocations of structural steel for school construction purposes.

Mr. Searles suggested the general public possibly does not agree that the mobilization program is necessary, noting that a recent Gallup Poll had indicated a majority opinion as believing the Korean War to be unnecessary. He also suggested a need for coordination among Congressional committees, in order to avoid the embarrassment of conflicting legislative opinions on various aspects of the defense program.

Mr. Foster expressed general agreement with the statement read by Mr. Wilson, except to note that a thorough program review would probably take more than 30 days. He emphasized a need for reexamination of the existing defense production policy among Executive Branch agencies in order to reach a common decision in re continuation of the present partial mobilization program. He indicated that a shortening of time on military delivery schedules had placed greater demands on the civilian economy. In this connection he stated that the Department of Defense has instituted procedures for thoroughly reviewing all military needs. Mr. Foster noted that unless the Executive Branch agencies reach agreement on general mobilization policies, they will be faced with the prospect of giving additional time to explaining and justifying their positions before the next session of Congress. In conclusion he emphasized that even if the Korean War ended in an armistice tomorrow, the mobilization effort would have to continue unabated. Such a cessation of hostilities in Korea would reduce actual military equipment losses, and permit diversion of materials and equipment on a stepped up basis to NATO countries, but would not permit substantial cutbacks in military requirements.

Mr. Foley stated that confusion among businessmen over the mobilization program results in large part from lack of complete agreement on the program in the Congress and among the defense agencies in the Executive Branch.

Mr. Linder indicated that the Department of State sees little possibility of change in the World political situation for some time to come. He emphasized (*a*) State's primary concern with aid to friendly foreign powers, and (*b*) further deterioration in the international fiscal situation in recent months in terms of balance of payments among our allies. He agreed with the need for further review of the present "guns and butter" policy in terms of the deleterious

impact rising prices in the U.S. have caused on the economies of our allies.

Mr. McCormick noted the general public apathy toward the mobilization program possibly resulting from a lack of full understanding of the program. He cautioned the Board in terms of the fact that members of Congress are now at home meeting with their constituents, and could well reflect this apathy when they return for the next session of Congress in January.

Mr. Symington stated that he did not believe that we had ever completely faced up to the issue of Communist aggression, either before Korea or now. Using the term "we should either fish or cut bait" he re-emphasized the need for an intensified mobilization effort. Mr. Symington suggested that more detailed information be given to the public, particularly in terms of stockpile requirements. He also noted a need among mobilization agencies for unanimity on basic mobilization policies.

Mr. Gorrie, noting the results of current meetings on dispersion and post-attack mobilization, asked Mr. Wilson regarding results of the ODM public information program. Mr. Wilson replied that full support in terms of a "speakers bureau program" is now being received from the American Bar Association. Also, the American Federation of Women's Clubs is now being brought into the picture. This provides an increased channel for getting across to the public pertinent factual information on the defense program.

Mr. Johnston stated that in his opinion a raw materials czar should be appointed to have full jurisdiction, and therefore be able to provide a uniform approach, to international and domestic raw materials problems. He suggested utilization of an interagency committee to work with the raw materials head. Mr. Wilson noted that such a committee existed, and suggested that differences of opinion existed over the practical possibility of creating a raw materials czar.

Mr. Wilson summarized the consensus of the meeting as indicating an expressed desire for immediate re-examination of basic mobilization policies, and expressed his intention to implement such a re-examination.

The meeting adjourned at 12:35 p. m.

H. Dewayne Kreager
*Executive Officer, ODM*
*Secretary of the Board*

PPS Files, Lot 64 D 563

*Memorandum by the Deputy Director of the Policy Planning Staff (Ferguson) to the Under Secretary of State (Webb)*

TOP SECRET [WASHINGTON,] December 12, 1951.

On my return on December 11 from the briefing arranged by the Budget Bureau on the military and foreign aid programs for fiscal year 1953, I reported to the Policy Planning Staff and had a transcription made of this report.[1] I believe it includes all of the material on which I had made notes in the course of the briefing session.

The following points which emerged from the presentation seem to be of particular importance to the Department of State.

1. Since the completion of the NSC 114/2 Annexes, which were the basis of the $50 billion military and foreign aid programs for fiscal year 1953, the Defense Establishment has prepared estimates on the basis of an $85 billion program for that fiscal year. Despite the difference in the size of these two estimated programs, the charts exhibited indicate that whichever program is adopted, expenditures and deliveries are not likely to be affected very much until after the middle of 1953.

2. On the basis of the $50 billion program, the cost of maintaining the projected build-up will be approximately $30 billion annually without any allowance for new procurement or replacement, and an additional $18 billion annually, or a total of $48 billion, if new procurement and replacement are included.

3. The $85 billion program suggested in the Defense Establishment presentation will mean a continuing rise in defense expenditures and deliveries, both for our own military establishment and for foreign aid purposes, even beyond fiscal year 1953. If an $85 billion program assumes a similarly enlarged European defense program it will involve a prolongation of the strains inherent in a large rearmament effort.

4. On the basis of the charts presented, it appears that to meet the deliveries required under the latest SHAPE plans in fiscal year 1952, large quantities of matériel will have to be taken from existing U.S. stocks and some quantity will have to come from new production now scheduled for U.S. forces.

5. The fact that expenditures and deliveries probably will not be affected much through fiscal year 1953 whatever program is adopted, suggests the necessity of looking well beyond the year 1954, which has tended to be the limit of most of our estimates and analyses. If we project our estimates and analyses of our own and Russian strength and relative positions to 1960 or 1965, the results might lead to a revision of the rate and tempo of the build-up in the years after 1953 and might suggest variations in the projected program.

JOHN H. FERGUSON

[1] A copy of the report, attached to the present memorandum, is not printed.

PPS Files, Lot 64 D 563

*Memorandum by Mr. Robert W. Tufts, Member of the Policy Planning Staff*

TOP SECRET [WASHINGTON, December 12, 1951.]

COMMENT ON THE BUDGET PRESENTATION

(Projected Receipts and Expenditures; Defense, Manpower, and Resources Programs)

1. This memorandum is based on Mr. Ferguson's report on a meeting at the Bureau of the Budget, December 11. In general, the projections appear to be refinements of the material presented by the departments and agencies concerned in connection with the preparation of NSC 114/2.

2. *The question of inflation.* Underlying the Bureau's presentation was the assumption that there would be no further increases in taxation. On this assumption there will be deficits of $6 billion in FY 1952, $13 billion in FY 1953, $15 billion in 1954, and $3 billion in FY 1955. If the tax assumption is correct and if the projections are approximately correct, the Governments impact on the economy will be inflationary. It may be possible to offset this elsewhere in the economy. If personal savings remain at anything like the high 1951 level, this item alone would offset the Governmental deficit. On the whole it does not appear that the inflationary problem will be serious.

3. *The nature of the build-up.* The most unexpected feature of the presentation is, in my opinion, that there is not a sharper reduction of expenditures in FY 1955, even taking the projections based on the $50 billion defense program for FY 1952. Allowing for the fact that it is unsafe to deduce the nature of the build-up from information of this kind, there does appear to be ground for the presumption that the presently contemplated build-up is one which involves nothing like a sharp cut-back or even a strong tapering off—at least not until after 1955. Taking into account the introduction of the $85 billion concept and the $24 billion program to meet SHAPE plans, one is bound to ask whether there has been a change in national strategy—whether, in short, the build-up we are now planning is one which attempts to develop sufficient force-in-being prior to the outbreak of war to (1) hold while mobilizing or (2) go over to an immediate counter-offensive.

4. The most disturbing figure is the figure of $30 billion for maintenance of the military establishment (without any allowance for new procurement or replacement) after we have reached presently approved force levels. Again one is bound to ask whether this nation can

afford to be a great power on a luxury basis. In my opinion one of our most serious problems is to obtain more defense per dollar. The high cost of the U.S. military establishment may prove to be our Achilles' heel. It re-emphasizes the economy to the U.S. in assisting other countries with low cost military establishments.

# UNITED STATES FOREIGN ASSISTANCE PROGRAMS: THE DEVELOPMENT OF THE MUTUAL SECURITY PROGRAM [1]

Under Secretary's Meetings, Lot 53 D 250 [2]

*Record of the Under Secretary's Meeting,[3] Department of State, December 22, 1950*

*Report on Executive Branch Planning for Foreign Aid Legislation* (no document)

Mr. Thorp described the organization of the Executive Branch into a Steering Group with eight subsidiary Task Forces, all under State Department leadership.[4] Present plans envisage a single-package foreign aid legislation and one basic presentation to the Congress. The main theme would be that of building necessary strength in the free world through the necessary military and related economic activities and to strengthen areas against possible aggression. February 23 is the target date for submission of the legislative plan to the Bureau of the Budget. Although this is a tight deadline, it is hoped that the non-European items will be ready sooner than that. March 1 is the deadline for submission of the legislative

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[1] For documentation on the Point Four Program, with particular reference to organizational and administrative problems of technical assistance activities, see pp. 1641 ff. For documentation on U.S. economic, military, and financial aid in support of the defense of Western Europe, see vol. III, pp. 1 ff. For additional material on U.S. assistance to specific nations and regions, see volumes II, IV, V, VI, and VII.

Regarding the origins of the Mutual Security Program, see also *Executive Sessions of the Senate Foreign Relations Committee*, 82d Cong., 1st sess., 1951 (Historical Series, vol. III, Parts 1 and 2, made public in August 1976), Part 2.

[2] Master file of records of meetings, documents, summaries, and agendas of the Under Secretary's Meetings for the years 1949–1952 as retired by the Executive Secretariat of the Department of State.

[3] James E. Webb, Under Secretary of State, customarily met several times a week with the Assistant Secretaries and other principal officers of the Department of State (or their representatives) for the primary purpose of exchanging information on issues before the Department.

[4] Reference is to the Foreign Aid Steering Group which was charged with the preparation of foreign economic and military assistance legislation for Fiscal Year 1952. The group included representatives of the Departments of State, Treasury, and Defense; the Economic Cooperation Administration; the Bureau of the Budget; and the office of W. Averell Harriman, Special Assistant to the President. Willard L. Thorp, Assistant Secretary of State for Economic Affairs, served as Chairman. The Foreign Aid Steering Group held twelve meetings between November 21, 1950, and April 13, 1951. Records of the group and its task forces are located in FRC Acc. No. 62A613, boxes 102 and 124.

proposal to the Congress. It is planned that the Departments of State and Defense will make the basic presentation with the other agencies coming in later. He mentioned that one fundamental problem not yet resolved is whether to take a primarily geographic approach or to approach the legislation according to types of programs. The Exim Bank legislation will be separate but perhaps submitted at the same time. Mr. Miller [5] suggested that the extensive lending program which affects his area should be mentioned in the President's message.[6] He also raised the question of what effect materials shortages would have on overseas developmental work, through grants or loans. He felt that loans should not be made under tighter criteria than grants. Mr. McGhee [7] and Mr. Rusk [8] expressed a preference for the regional approach to the legislation.

Mr. Ohly [9] pointed out the difference between organizing (1) the method of presentation and (2) the structure of the bill, saying that the presentation probably should be on area basis but that the bill itself might be organized differently because of the varying conditions which would probably be attached to different kinds of aid.

[Here follows discussion of other subjects.]

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[5] Edward G. Miller, Jr., Assistant Secretary of State for Inter-American Affairs.

[6] For information on the President's budget message of January 15, see editorial note, p. 269.

[7] George C. McGhee, Assistant Secretary of State for Near Eastern, South Asian, and African Affairs.

[8] Dean Rusk, Assistant Secretary of State for Far Eastern Affairs.

[9] John H. Ohly, Acting Director, Mutual Defense Assistance Program.

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*Editorial Note*

On December 27, 1950, Departmental Announcement 248 established the position of Director, International Security Affairs (S/ISA) within the Department of State, effective January 8, 1951. The Director was assigned responsibility for the general direction and coordination of all activities within the Department of State relating to *a*) the North Atlantic Treaty and other collective defense arrangements, and *b*) military assistance programs and economic assistance programs designed to support military assistance. Thomas D. Cabot, a Boston executive, was appointed Director. Files of the Office of Director, International Security Affairs, and its predecessor organizations, 1949–1951, are located in Federal Records Center Accession No. 62A613, 129 boxes. For the text of Departmental Announcement 248, released to the press on January 4, 1951, see *American Foreign Policy, 1950–1955: Basic Documents* (Department of State Publication 6446) (Washing-

ton, Government Printing Office, 1957), volume II, pages 3045–3047, or Department of State *Bulletin*, January 22, 1951, pages 155–156.

The position of Director, International Security Affairs, was established within the Department of State pursuant to organizational arrangements set forth in an interdepartmental memorandum of understanding concluded by the Departments of State, Defense, Treasury, and the Economic Cooperation Administration, approved by President Truman on December 19, 1950. This understanding provided for the establishment of an International Security Affairs Committee (ISAC) to conduct the review and coordination of policy and programs in international security affairs and mutual defense assistance matters. It was specified that the Chairman of ISAC would be the Director, International Security Affairs, Department of State. Membership of the Committee included representatives of the Departments of Defense and the Treasury, the Economic Cooperation Administration, and a representative of W. Averell Harriman, Special Assistant to the President. ISAC met 49 times between February 2 and October 12, 1951. Documentation produced by ISAC and its subcommittees is located in Department of State Lot File 53 D 443 and in FRC Acc. No. 62A613, Files of the Office of the Director, International Security Affairs.

For the text of the interdepartmental understanding of December 19, 1950, and other material on mutual defense assistance, see *Foreign Relations*, 1950, volume I, pages 126 ff.

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*Current Economic Developments*, Lot 70 D 467, FRC Acc. No. 72A6248 [1]

## *Current Economic Developments*

[Extract]

SECRET [WASHINGTON,] January 2, 1951.

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*US Foreign Aid Programs: Study of Certain Issues*

Proposals are now being formulated within the Government for US foreign economic and military assistance programs for fiscal year 1952. These proposals cover military aid to western Europe and supporting economic assistance, military assistance to other countries, and a broad program of aid to underdeveloped areas, primarily South

[1] Master set of the Department of State classified internal publication *Current Economic Developments* for the years 1945–1969, retired by the Bureau of Economic Affairs.

and Southeast Asia. Although these programs have not yet been fully developed, tentative agreement has been reached on certain issues regarding the form and content of the legislation which will be requested from Congress. In addition, the National Advisory Council has considered the financial aspects of these programs and has approved principles governing counterpart policy in connection with US aid, the relation of such aid to monetary reserves, and the use of loans versus grants as the form of US assistance.[2]

*Form of Legislation.* Although Congressional leaders will be consulted before final decisions are made on the precise form of the proposed legislation, a Foreign Aid Steering Group consisting of representatives of the State, Defense and Treasury Departments, ECA and the Budget Bureau has reached preliminary agreement on several aspects of this question. This group has agreed that all economic and military grant assistance requests should be submitted to Congress in one package in order to emphasize the unitary theme of building our security by promoting situations of strength in the free world. All Congressional appropriations for these programs should be made to the President to be allocated by him to the appropriate administering agencies. Some flexibility should also be provided for the interchange of funds within and between the various programs. Although there is still some question concerning the extent to which existing legislation should be utilized in the new legislation, the Steering Group tends to prefer a bill which would incorporate existing legislation by reference, together with such amendments and new authorizations as may be required.[3] The major issue at the pres-

[2] The National Advisory Council on International Monetary and Financial Problems coordinated the policies and operations of United States representatives on the International Monetary Fund and the International Bank for Reconstruction and Development, the Export-Import Bank, and all other U.S. agencies involved in the areas of foreign loans, and foreign financial exchange and monetary transactions. NAC membership included the Secretary of the Treasury (Chairman), the Secretaries of State and Commerce, the Chairman of the Board of Governors of the Export-Import Bank, and the Administrator of the Economic Cooperation Administration. The master file of the records of the NAC for the years 1945–1958, as retired by the Bureau of Economic Affairs, Department of State, comprise item 70 of Federal Records Center Accession 71A6682, 15 boxes.

The NAC decisions on the matters under reference here were embodied in Action No. 442 taken at NAC Meeting No. 168, December 26, 1950 (FRC Acc. No. 62A613, Box 16, NAC Actions).

[3] The following Acts of Congress, as amended, comprised the major elements of existing foreign aid legislation: the Economic Cooperation Act of 1948 (Public Law 472, 80th Cong.; 62 Stat. 137), authorizing the European Recovery Program; the Mutual Defense Assistance Act of 1949 (Public Law 329, 81st Cong.; 63 Stat. 714), providing for a comprehensive military assistance program; and the Act for International Development (Title IV of the omnibus Foreign Economic Assistance Act of 1950–Public Law 535, 81st Cong.; 64 Stat. 204), authorizing technical assistance under the Point Four Program. This legislation, reflecting amendments through the year 1951, is contained in *Mutual Security Act of 1951 and Other Basic Legislation*, House Committee on Foreign Affairs, 82d Cong., 2d sess., Committee Print (Washington, Government Printing Office, 1952).

ent time concerns the manner in which the programs should be grouped within the one legislative act. In general, programs could be grouped on a purely regional basis or on a functional basis which would reflect their principal objectives, i.e., the promotion of military strength or the promotion of political and economic strength, within the overall framework of building for security. The final arrangements will probably represent a combination of these two approaches.

*Financial Policy Aspects.* On the basis of only tentative estimates of the amounts involved in proposed US foreign assistance, the National Advisory Council has approved financial principles which should govern the extension of such assistance. The NAC discussed the extent to which the effect of US aid on the level of monetary reserves of a country should be considered in the allocation of aid to that country. It was decided that US assistance to European countries should be dictated primarily by considerations of mutual defense, but that most critical examination will be required when an increase in the level of reserves results, or is likely to result, from such assistance. The present policy of not extending grant assistance for the purpose of increasing reserves should also be continued. However, if the US feels that failure to provide aid would prejudice the defense effort, aid should not be withheld because it would increase reserves, nor should the unanticipated accumulation of reserves as a result of the vigorous application of appropriate economic and financial policies automatically result in the reduction of aid where a country is making the maximum contribution to mutual defense. This is not considered a serious problem in connection with the programs for the underdeveloped countries since these programs are not likely to influence appreciably their levels of reserves.

Although it was generally agreed that, as at present, recipient countries should not be required to deposit local currency counterpart for end-use military items received from the US, a question arose as to whether the present policy of requiring counterpart for economic assistance to Europe should be continued. Under the present circumstances, with all economic assistance to European countries to be provided as a basis for sustaining the military effort, it was asked whether the counterpart requirement would contribute to this effort and whether it might not instead offer conflicts between our military objectives and the objectives of financial stability which have been the aim of counterpart programs in the past. The NAC decided that counterpart deposits would still appear to be useful in influencing recipient countries to follow internal financial policies in support of

the common defense effort. However, the Council also agreed that they should be permitted to use these deposits directly for military expenditures where this seemed to be desirable for the defense effort. In view of the diverse nature of the grant assistance programs for the underdeveloped countries and the varying political and economic circumstances in these areas, the NAC has recommended that the administrators of these programs should be allowed substantial discretion in determining the extent to which counterpart deposits should be required and the terms and conditions under which they may be spent. In general, counterpart deposits, commensurate in value to the dollar costs of the goods supplied by the US, should be required at least for goods sold through private commercial channels.

The National Advisory Council has recommended that assistance to Europe should continue as for the past two years on a wholly grant basis, and that both loans and grants should be used in the programs for the underdeveloped areas. Because the latter are part of a longer range program whose precise magnitude and form cannot now be determined, and because of uncertainties concerning the availability of supplies for them, it is not possible now to determine precisely the extent to which such programs might be financed on a loan or grant basis. However, the NAC has laid down three general principles in this connection: 1) grants should be made so far as possible for programs which are appropriate for such financing because of their inherent character, such as technical assistance, aid programs based on recommendations of the Griffin report [4] on Southeast Asia, and related projects; 2) loans should be made where a country is in a position to service a loan and projects are of the appropriate type; and 3) such loans should be financed by the established lending institutions under their usual terms and conditions rather than as special categories of loans. The NAC also recommended that an increase of up to $1.5 billion in the Eximbank's lending authority should be included as an integral part of the foreign aid program.

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[4] For documentation on the economic and technical assistance survey mission to Southeast Asia headed by R. Allen Griffin, February–April 1950, see *Foreign Relations*, 1950, vol. VI, pp. 1 ff.

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*Editorial Note*

On January 15, 1951, President Truman transmitted the annual budget message to Congress (Fiscal Year 1952). In this communica-

tion, he stated his intention to request appropriations of $9.7 billion for foreign economic and military assistance, primarily to the North Atlantic Treaty area. The bulk of this assistance would be in the form of military equipment and supplies, but economic aid in support of the Western European military build-up and technical assistance to non-European areas were also included in the overall foreign assistance program outlined by the President. For text of the message, see *Public Papers of the Presidents of the United States: Harry S. Truman, 1951* (Washington, Government Printing Office, 1965), pages 61–106. The message and the budget document are published in House Document 17 (82d Cong., 1st sess.).

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Department of State Administrative Files, Lot 54 D 291 [1]

*Special Report on American Opinion, Prepared by the Division of Public Studies* [2]

[WASHINGTON,] January 15, 1951.

PUBLIC ATTITUDES TOWARD U.S. AID PROGRAM
Opinion Concerning Aid For The Four Regions:
Europe, Far East, Near East, Latin America

Public discussion about U.S. foreign aid plans and programs during recent weeks has been chiefly in the context of the security problems now confronting the U.S. and the other free countries.

In regional terms, the military reverses in Korea have stimulated a major debate as to the aid program which the U.S. should follow for Europe and for the Far East. Some who doubt the wisdom of large-scale aid to Europe at this time have stressed the importance of strengthening the Western Hemisphere without giving much specific discussion to a new aid program for the Latin American states. Direct Communist threats to particular countries have flavored much of the discussion on aid to the Near East and South Asia.

U.S. aid to Europe is today envisaged chiefly in military terms—continuance of some economic aid to most of the ERP countries being more taken for granted than discussed. Respecting the Far East, however, economic aid receives as much (or more) attention as does military aid, the two forms of aid often being discussed at the same time. Military aid is quite prominent in discussion of U.S. assistance

[1] Consolidated administrative files of the Department of State for the years 1949–1960.

[2] Circulated as Foreign Aid Steering Group document SG D-8/2, January 18, 1951.

to certain areas of the Near East, although economic help is frequently considered in the case of India.[3] Respecting Latin America, economic aid receives greater public discussion than military assistance, although neither has attained much prominence in recent weeks.

### EUROPE

Despite the national debate about the future of U.S. security policy, the bulk of both the press and the general public adhere to the fundamental position expressed in the North Atlantic Treaty.[4] Seeing the defense of Europe as vitally related to American security, the public supports the continuance of both arms aid and economic aid. Although there is some doubt about the wisdom of the newer policy of sending large numbers of American troops to a Europe which is thought to be "laggard" in its own defense, this doubt does not seem to extend to the material items envisaged for the single-package foreign aid bill.

There is difference of opinion as to the amount of aid—especially economic aid—which should be sent to Europe. Here the chief considerations are the need and the *amount* of self-help shown by recipient countries and also the more general factors of depleting American resources and raising American taxes.

On the question of arms aid, an early January opinion survey shows 7 out of 10 Americans approving the dispatch of military supplies to the countries of Western Europe. This sustained support exists despite the fact that a majority of the general public feels that these countries "are not doing all they should to build up their own defense."

Suspension of ERP aid to Britain has been widely acclaimed in the American press, and there is some hope that the amount of aid required by other countries may be cut also. In the past, France and Italy have been the European ERP recipients most criticized for alleged failures to make best use of their aid; but it seems to be expected that these nations will continue to need economic, as well as military assistance from the U.S. A majority of the public believes that Western Europe will need economic aid at least until 1952, according to a recent opinion survey.

*Spain.*[5] Although the questions of economic and military assistance to Spain remain controversial, the recent loan to Spain has been, for

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[3] For documentation on economic aid and famine relief to India, see vol. VI, Part 2, pp. 2085 ff.

[4] For documentation on U.S. participation in the North Atlantic Treaty Organization, see vol. III, pp. 1 ff.

[5] Documentation on the questions of aid to Spain and Spanish membership in the North Atlantic Treaty Organization is included in material on United States relations with Spain in volume IV.

the most part, endorsed or acquiesced in. A number of editors and Congressmen favor bringing Spain into West European defense plans; but this question has not been widely discussed. A recent Gallup Poll indicates majority acceptance for admitting Spain into the North Atlantic Treaty system.

*Current Questions*

1. Will Eisenhower's [6] prestige and talents be enough to enable him to bring about unity and action in Western Europe?
2. How far and how fast can the British and French governments increase the pace of rearmament?
3. With the increase in Europe's productivity brought about by the Marshall Plan, cannot European countries finance much of their own rearmament programs?
4. Considering the burden of the U.S. rearmament program, how much can the U.S. afford for economic aid to Europe?
5. Should the U.S. make greater cooperation among the European countries a condition of further American aid?
6. Shouldn't it be a condition of further aid, that the European nations cease sending strategic (or other) materials to the Soviet bloc?
7. Shouldn't the U.S. "face realities" and help Spain develop her military potential? How would such a move be received by the NATO countries?

FAR EAST

The Korean aggression served to heighten public discussion of how the United States could most effectively assist Far Eastern countries to prevent Communist expansion in that area. Military aid has been discussed chiefly in connection with specific countries: Nationalist China, Indochina, Philippines—with sporadic discussion of a Pacific Pact and increasing advocacy of the rearming of Japan. A January opinion survey shows that a majority of the general public still favors arms aid to "governments in Asia threatened by Communism". Another survey shows popular sentiment fairly evenly divided on rearming Japan.[7]

Economic aid to strengthen Far Eastern countries has been widely discussed and approved, although relatively few have supported Mr. Stassen's [8] large-scale proposal of a "Marshall Plan for Asia".

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[6] General of the Army Dwight D. Eisenhower, Supreme Allied Commander, Europe.

[7] For documentation on this subject, see vol. VI, Part 1, pp. 777 ff.

[8] Harold E. Stassen, President of the University of Pennsylvania; Governor of Minnesota, 1939–1943; prominent national political figure (Republican Party).

Commentators also applauded the vigorous U.S. leadership in securing adoption of a UN program of economic reconstruction for the Republic of Korea. In a November survey, 6 out of 10 Americans supported assistance to help backward peoples; and nearly half mentioned the Far East or Asia in indicating the parts of the world which should be included in such an aid program. In the case of Japan, it is generally presumed that U.S. economic aid will continue as part of a plan to maintain strength and stability in this critical area.

*Southeast Asia.* Sympathy for moderate-scaled economic aid to the countries of Southeast Asia, based on the Point Four or "self-help" ideas, has remained high. The Commonwealth's "Colombo Plan" [9] has been warmly applauded by a number of prominent observers, and some have urged the U.S. to help share the expenses of this program. However, observers have been shy of large-size assistance in this area in view of U.S. commitments elsewhere and uncertainty that aid would be effectively utilized. Many have specifically endorsed the "realism" of the Bell Mission recommendations for aid to the Philippines,[10] and some have termed them a "yardstick" for granting aid to other Southeast Asian countries.

Less attention has centered on arms aid to Southeast Asia, but such aid for Indochina has been consistently approved in limited discussion.[11] However, commentators have been pessimistic over the situation there, and, aware of the demands made by the Korean conflict, have not pressed for large-scale military help. Almost no specific discussion of military aid has centered on Malaya, Burma or Indonesia, and only very light attention on Thailand. The handful commenting have appeared favorable.

*China.*[12] An increasing number of observers, including others than the traditional pro-Chiang [13] group, have favored military aid to the Nationalist army and its use in the struggle against Chinese Communists. Some have also called for arms aid to the guerrilla forces reportedly operating on the Chinese mainland. However, an articulate group of "moderates" and "liberals" have continued to disapprove support of the "discredited" Chiang regime. There is almost no current discussion of economic aid to the Nationalists.

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[9] For documentation on the Colombo Plan, see vol. VI, Part 1, pp. 1 ff.

[10] For documentation on aid to the Philippines, see *ibid.*, Part 2, pp. 1491 ff.

[11] For documentation on U.S. policy with regard to Indochina, including material on aid to the forces of the French Union and the Associated States, see *ibid.*, Part 1, pp. 332 ff.

[12] Documentation on United States policy regarding China, including the question of aid to the Republic of China, appears in volume VII.

[13] Generalissimo Chiang Kai-shek, President of the Republic of China.

*Current Questions*

1. What are the reasons that the U.S. refuses to aid Chiang and use his troops in fighting the Chinese Communists?

2. Should the U.S. grant military aid to the colonial powers or to the native regimes in Southeast Asia?

3. Could U.S. military aid to Asia be more effectively organized if there were a Pacific Pact comparable to the North Atlantic Pact?

4. How carefully can the U.S. supervise aid to Southeast Asian countries, and yet not be accused of "economic imperialism" or "intervention"?

5. How can the limited number of dollars the U.S. can grant Southeast Asia be most effectively used in its underdeveloped countries?

### NEAR EAST, SOUTH ASIA, AND AFRICA [14]

Iran is frequently referred to as a likely "next spot" for Communist aggression. The press has devoted considerable attention to U.S. arms aid to Iran—as well as to Greece and Turkey—with occasional consideration also of sending military supplies to India, Pakistan, and Israel. The NEA region is also often discussed, in broad terms, as an appropriate area for U.S. economic assistance; but very little press discussion was prompted by the inauguration of Point Four aid in Iran.

*Greece, Turkey, Iran.* Military and economic aid to Greece and Turkey have been consistently supported in limited comment over the past three years. Many commentators have cited the excellent performance of the Turkish troops in Korea as evidence of the soundness of the military aid program. Reduction in ERP funds to Greece, in view of insufficient Greek recovery efforts, has been generally approved. Observers hope that this action may inspire other nations to redouble efforts.

Seeing in recent Iranian policy a "pro-Russian trend", some observers have urged the U.S. to expedite economic and military aid to Iran. Others, in this limited discussion, have bitterly complained that Iran was "offering nothing in return" for previous aid.

*Near East.* Both economic and military aid to Israel receive support, chiefly from the group of commentators who have consistently favored the new state. Others, in light comment, have also been sympathetic to helping Israel—particularly through loans and other economic aid.

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[14] Documentation on United States policy with respect to the nations of the Near East and Africa, including material on economic and military aid, is presented in volume v. Documentation on South Asia appears in volume vi.

Point Four aid for the Arab states has received some support in limited discussion. In addition, a small group has favored increased relief aid for the Arab refugees and further UN efforts to "resettle" them with U.S. financial assistance. There is virtually no support for arms aid to the Arab states; and a few observers with pro-Israel sympathies are sharply opposed.

*India, Pakistan.* As compared to other Middle Eastern countries, discussion of aid to India has been fairly sizable. Despite anxiety over India's "neutral position" in the East-West struggle, those commenting have favored strengthening India by Point Four aid and other developmental assistance. India's "tremendous" domestic problems are frequently stressed, and observers usually point out that U.S. aid, though helpful, will only be "a drop in the bucket" to India's actual needs. Discussion of arms aid to India is very limited but not unfavorable. Much less discussion centers on aid to Pakistan. The few commentators discussing the matter have generally been sympathetic to small amounts of economic aid based on the "self-help" principle.

*Africa.* While there has been some interest in the "development" of Africa, and in its "strategic" importance, almost no observers in recent months have specifically called for economic or arms aid.

*Current Questions*

1. In view of our limited resources, is it wise to send military and economic aid to the small, "feudal" countries of the Near and Middle East?

2. How can we be sure military aid to the Arab states and to Israel would be used to strengthen them against the common enemy—communism, rather than in the Arab-Israeli conflict?

3. Can the amount of aid America can grant India be of any good in view of the tremendous poverty and backwardness in India?

4. Should aid be given India and Pakistan when both are straining their economies in the struggle over Kashmir?

### LATIN AMERICA [15]

Relatively little public attention is devoted to Latin American affairs in general. Most of the comment comes from specialists who concern themselves solely with this area. In the past, these commentators as well as most of those discussing U.S.-Latin American relations have been enthusiastic supporters of continued and, often, of more extensive programs of economic cooperation. The question of military aid, however, has received scant attention.

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[15] For documentation on U.S. relations with the American Republics, including material on questions of economic and military assistance, see vol. II, pp. 925 ff.

In recent discussion, emphasis has been placed upon the desirability of developing Latin American resources for the military defense program and, in general, on better and more permanent U.S. "good-neighbor" ties. This comment has shown sympathy for giving greater stress to the Point IV principles in Latin America and for reducing trade barriers and foreign investment restrictions. But, in the recent opinion survey which showed popular approval of U.S. help to "backward countries", only 6% of the national sample mentioned Latin America as a region which "should come under such a program".

*Current Questions*

1. How much of a direct economic aid program is actually needed by the countries of Latin America? Wouldn't it be better for the U.S. to encourage foreign and local private enterprise in those countries?

2. How can the U.S. strengthen the ability of the Americas to defend themselves without adding to the power of military dictatorships?

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Under Secretary's Meetings, Lot 53 D 250

*Record of the Under Secretary's Meeting, Department of State, February 7, 1951*

SECRET

UM M-303

[Here follows discussion of matters other than foreign assistance.]

*Foreign Aid Legislation for Fiscal Year 1952* (UM D-134)[1]

7. Mr. Thorp explained that consultations on the Hill to date had been favorable to a single-package bill, built on existing legislation and arranged geographically rather than functionally in its outline, although both regional and functional aspects would be fully covered in the justification.

8. One problem is whether a single appropriation should be sought for Europe or whether some separation should be made in the European area between military end-items and economic assistance. While the Department of Defense prefers a separation, the other interested agencies favor a single lump-sum, as being more consistent with the whole bill's singleness of purpose for one reason. Mr. Thorp emphasized the importance of making the April 2 or 3 deadline for presenting the legis-

[1] Document UM D-134, February 5, 1951, titled "Foreign Aid Legislation for Fiscal Year 1952," is not printed. It consisted of a one-page outline of the projected legislation and a presentation guide, also in outline form. (Under Secretary's Meetings, Lot 53 D 250)

lation to the Congress. He said that the deadline has been set that late primarily to obtain assurances as to European capabilities and intentions as part of the justification. Failure to meet the deadline would have three unfavorable effects: the Congress might feel that the Administration is uncertain of what to do, our European friends might get the same impression, and the Soviets might read the delay as an indication of lack of determination on our part. Further delay would be threatened if difficulty is encountered in working out the plans of the European countries. Mr. Thorp felt that we should proceed on the stated schedule regardless of the outcome of the European negotiations, especially since the orientation of the bill is global.

9. Mr. Webb called attention to the still earlier deadlines for the various programs to go to the Bureau of the Budget in order to meet the April 3 presentation to the Congress.

10. Mr. Webb commented that he had intended to discuss State–ECA arrangements with Administrator Foster [2] but that at present these issues are being considered under Budget Bureau guidance from the over-all administration point of view. Mr. Webb believed that the Budget group will be of assistance in the planning of this legislation.

11. Mr. Rusk raised the problem of the effect of the security and anti-Communist aspects of the bill upon other programs such as Point IV. He felt that this factor will complicate some of our "neutral contacts". Mr. McGhee suggested that this problem might be met by ECA, for example, employing a different approach in the various countries. Mr. Thorp said that it might be possible to operate country-by-country from different divisions within ECA, specialized according to a security or non-security emphasis, as the local situation required. Mr. Rusk felt this idea had some merit.[3]

12. Mr. McGhee expressed some concern about the inflexibility of the one-package approach, particularly where new programs are affected. He feared that certain emergency programs might be delayed for as long as 18 months by the time the omnibus legislation is passed and administrative considerations such as FBI clearance have been provided for. Mr. Webb commented that the earmarking of 25 millions as an emergency fund for the use of the President is one way of meeting this point. The Secretary agreed with the importance of the problem raised by Mr. McGhee. Mr. Thorp recognized that the problem is a basic one and said that we must work toward

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[2] William C. Foster, Administrator, Economic Cooperation Administration.

[3] For additional documentation on the Point Four program, particularly on the question of whether Point Four-type technical aid should be administered by the Department of State or by the Economic Cooperation Administration, see pp. 1641 ff.

549-782—79——19

greater flexibility in the legislation. We want to be able to shift the funds where necessary to meet the emergencies. Mr. Webb commented that, on the other hand, the inherently rigid tendencies of legislation in some cases have helped us to obtain increased flexibility in shifting funds. Mr. Thorp added that the ECA legislation is the best practical example of ability to shift within the purposes of the Act. We hope for more of this ability in the forthcoming bill.

[Here follows discussion of other subjects.]

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800.00–TA/2–2751

*Memorandum of Conversation, by the Under Secretary of State (Webb)*

[WASHINGTON,] February 27, 1951.

Subject: Rockefeller Report [1]

Participants: Mr. Nelson Rockefeller
Mr. Webb—Under Secretary

At lunch today Mr. Rockefeller and I had a long and friendly talk about his report. He explained to me that he was somewhat concerned at the reactions to the draft which had been sent out,[2] and that he and his Board were prepared to make substantial modifications in line with advice they had received from several quarters.

Essential points of the conversation were as follows:

(*Made by Mr. Rockefeller*)

1. That he doubts the long-range feasibility of the ECA program of large-scale grants for public works.

2. That he believes the institute or servicio type of operation is the only satisfactory one that can be maintained over a long period.

3. That he fears our technical assistance missions and experts will draw large-scale plans and elicit interest in foreign countries in them, which is apt to be disappointing by inability to execute the plans.

4. That he believes he can get substantial support from business, labor and other groups, and particularly support in Congress, for his idea of a World Development Corporation with the grants on a matching basis handled under somewhat the same kind of rules as foundations have operated in this country, and that the equity idea, although quite

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[1] *Partners in Progress.* Report of the International Development Advisory Board [The Rockefeller Report] (Washington, March 1951), prepared under the chairmanship of Nelson A. Rockefeller, former Assistant Secretary of State for American Republic Affairs (1944–1945).

[2] The draft has not been identified.

novel, seems to elicit wide interest from even such conservatives as Senator Byrd.

5. That Point IV has been badly understood and sold, and that he believes his Board can do much to help us clear up this situation, particularly if it is merged with the other programs mentioned.

6. That he had not fully understood the relationship between the Point IV program and our negotiation for Treaties of Friendship, Commerce and Navigation, which was thoroughly discussed today.

(*Made by Mr. Webb*)

1. That Mr. Acheson and I had decided to insist in every way we could on a proper position for the Ambassador in the capital of foreign countries, but were prepared to be more flexible with respect to Washington organizational arrangements, although in the latter we did expect to express our views strongly as the arrangements were discussed.

2. That our efforts to obtain an international legal framework for commerce and trade are intimately related to the handling of the technical assistance program and that I was not prepared to say at this time that this relationship should be broken. In fact, I indicated my belief that the relationship of the Point IV program to the negotiation of Treaties of Friendship, Commerce and Navigation was perhaps more important than its relationship to other technical assistance programs.

3. That the next year or so would provide a real testing period as to the future of ECA and that no one could say at this time what shape or form its organization would take. Therefore, I did not consider it wise to transfer the Point IV program into a receptacle of unknown characteristics, but felt it would be much wiser to keep the Point IV program in the State Department until the outline of the ECA operation of the future became much clearer. I pointed out that we had with great effort gotten the Point IV program going, that it was producing good results, and that it should not be thrown into another agency until the ECA organization itself had settled down into whatever long-range pattern the future held in store.

4. That the central problem to which his report did not address itself was the problem of how the activities of a large number of agencies of the Government were coordinated and brought into line with the generality of over-all foreign policy. I told him that I was perfectly prepared to see ECA operate as an independent agency provided means of coordinating its activities and keeping them in line with over-all foreign policy were worked out, but that I thought it highly dangerous to set up a lot of new agencies reporting directly to the President until this problem of coordination were worked out.

I urged him to address his thought to this problem, indicating that we had to look at the over-all handling of foreign policy and could not confine our thoughts to one segment like economics, and that therefore we had to take a slightly different view than did he or others addressing themselves to some specific problem.

[5.] That a great effort had been made by Mr. Acheson and the staff of the State Department to provide in the Department a focal point efficiently organized for the coordination of foreign affairs activities throughout the Government. I pointed out that in two years we had made very great strides along this line, but of course recognized that much more had to be done. I pointed out that it would take about five years to perfect such an organization, but on the foundation of two years' work the coming year, or third year, would produce very real accomplishments if the whole mechanism were not broken apart prematurely. I pointed out also that the problem of coordination would exist even if it were raised to the Presidential level by having a number of agencies in the foreign policy field reporting directly to the President.

[6.] That, in the main, what Mr. Acheson and I were concerned with was some means of getting it understood that agencies and people dealing with foreign policy should come to the Secretary of State or the Department first for guidance before taking off on one line or another which they might then expect to pressure the Secretary to adjust himself to.

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800.00-FA/2-2751

*Memorandum of Conversation, by the Secretary of the Foreign Aid Steering Group (Toner)*

CONFIDENTIAL [WASHINGTON,] February 27, 1951.

Subject: Foreign Aid Legislation

Participants: Messrs. James E. Webb
John Howard [1]
Leroy Stinebower [2]
Robert Barnes [3]
Albert Toner

Mr. Webb explained that he intends to participate more closely in the preparations for the legislation. At the moment he was inter-

[1] Director of the Executive Staff, Foreign Aid Steering Group.
[2] Chairman of Task Force II (concerned with non-European areas), Foreign Aid Steering Group.
[3] Assistant Chief of the Policy Reports Staff, Executive Secretariat.

ested in the principal issues being considered interdepartmentally and how the Department stands on its obligations to coordinate the preparations and get the bill to the Congress.

*Funds for Europe*

Mr. Webb said that the Bureau of the Budget is inclined at the moment to prefer a one-figure appropriation, subject to retreat to an alternative, if necessary, in the hearings. Mr. Webb said he would mention this problem, among other things, when he saw Mr. Lawton [4] later in the afternoon. His feeling was that the issue was not vital to us; but he thought it would be very important to ECA in view of the difficulty of defining the different kinds of aid. If he were the Director of the Budget, however, he would be inclined, like Defense, to favor the two-figure arrangement.

Mr. Webb then telephoned Mr. Lovett [5] of Defense, who personally gave strong support to the two-figure approach, commenting that the planning of military end items must be developed on a solid basis. He pointed out that these items will have to be justified from a sound program supported by their basic planning. He also believed that this alternative would be better received by the Congress.

After the telephone call, Mr. Webb said that the Budget Bureau evidently prefers the one-figure for reasons of flexibility and because of some feeling that the end items may be soft.

Mr. Howard reviewed the various agency positions on this problem.

Mr. Webb said that in his informal meeting with Mr. Lawton he would present the State view but felt obligated to explain Mr. Lovett's position as well.

Mr. Howard mentioned the possibility of an interdepartmental meeting at the Under Secretary level, but the Under Secretary expressed doubts that Mr. Lovett would want such a meeting.

Mr. Howard made it plain that there would be plenty of separate figures in the justification but that the European problem is one of what to put into the bill. He felt personally that the issue is not really a major one and that the Under Secretaries should not be bothered with meeting on it. He believed that the Budget Bureau should decide the question and Mr. Webb appeared to agree.

*Form of Budget Presentation*

Mr. Howard explained that the Budget Bureau has asked us to present the programs not only on the basis of our judgment of Euro-

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[4] Frederick J. Lawton, Director of the Bureau of the Budget.
[5] Robert A. Lovett, Deputy Secretary of Defense.

pean requirements but also to show what the Europeans will commit themselves to do. Mr. Howard felt that this proposal did not make sense and that to adopt it would cost us another month. Mr. Webb agreed, commenting that our intention is to provide the Europeans with incentives to greater effort.

Mr. Howard said that Mr. Lawton wants the President to decide this question but that we should present our own views.

Mr. Webb said that he would discuss this problem at a later time with Mr. Lawton, if he were requested to do so by Mr. Thorp.

*State-ECA Relations*

Mr. Howard said that he understood that consideration of organizational relations between the two agencies is not progressing as it should, which could result in a delay on our final deadlines. He commented that it is still possible to go to the Hill early in April but that we are estimating a presentation date of April 15, assuming that the Budget proposal on European commitments does not prevail.

*Point IV*

Mr. Stinebower reviewed, at Mr. Webb's request, the grant aid projections for the Near East, South Asia and Latin America.

Mr. Webb asked what the effect would be if Point IV were separated out. He said he would like to see Point IV separate from ECA because of the forthcoming dispute over ECA's future. He felt reluctant to throw a going program into that struggle, now that we have appointed an Administrator and have gone through much hard work to get the program under way. He asked how our programs would be affected if Point IV were removed.

Mr. Howard said we have tried for an integrated economic program in each country.

Mr. Stinebower said that the most difficult question is whether Point IV is a regional program or whether Point IV would also have programs in areas in which ECA operates. He said that it would have to be presented to the Congress along with the others, in any case.

Mr. Webb expressed the opinion that the commercial treaty program is the principal element in the long range economic future and that Point IV is essential to it. Removing Point IV from the Department would threaten that program.

Mr. Howard explained that we have tried not to prejudge the administration of Point IV and ECA in planning the programs. He mentioned that we have different programs now operating in the same country, which the Congress does not like.

Mr. Stinebower reviewed the existing and proposed STEM missions [6] for Mr. Webb. Answering Mr. Webb, he said that the relationship between UN technical assistance and the STEM's would be worked out mainly at the country-level through our embassies.

After some discussion of State–ECA relations in the field, Mr. Stinebower felt that the biggest problem in the presentation would be in defining what to separate off as Point IV. It would be better, he felt, to allocate all of the funds to the President and let him make this decision.

Mr. Webb wondered whether it would be undesirable to limit Point IV to countries not receiving military aid, except for certain "border" countries.

In a discussion of the private investment possibilities of underdeveloped areas, Mr. Webb felt that all that is needed is a restoration of confidence and world stability, although it was agreed that the problem now is the high rate of return within the US on private capital.

*Breakdown of Figures*

Mr. Howard reviewed briefly the dollar breakdowns in the justification by area and major programs.

Mr. Webb said that in a similar meeting next week he would like to go over the programs and figures more closely. He also expressed an interest in studying the Point IV question further.

[6] Reference is to the Special Technical and Economic Missions operated by the Economic Cooperation Administration in Southeast Asia.

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FRC Acc. No. 62A613 : ISA/MDAP Files

*Memorandum of Discussion Prepared by the Management Staff*

[WASHINGTON,] March 1, 1951.

Subject: Budget Bureau discussion with the President on foreign aid organization and State–ECA relations.[1]

Set forth below is a summary of the points discussed with the President by the Bureau of the Budget on Wednesday, February 28. The President approved these principles but was not requested to initial the Bureau paper.[2]

[1] President Truman and Frederick J. Lawton, Director of the Bureau of the Budget, were present at this meeting. Other participants have not been determined.

[2] The undated paper was titled "Organizational Arrangements for Future Foreign Economic Assistance Programs." A copy is in Department of State Administrative Files, Lot 54 D 291.

The Bureau of the Budget is drafting identical letters from the President to State and to ECA[3] which will embody the principles outlined below and instruct the agencies to work out suitable arrangements along these lines.

The outline of the paper discussed with the President is as follows:

I. *General:*

*a.* New foreign aid program reflects a marked shift of emphasis from general economic aims to support of military build up.

*b.* Broad outlines of policy on substance of this program have already been laid down by the President—the major current issue is the organization of the Executive Branch to carry it out.

II. *At present, there are two major agencies concerned with foreign aid:*

*a.* ECA for ERP and aid to South East Asia and South Pacific.

*b.* State Department for Point IV, the allied military production portion of MDAP, and United States participation in the UN programs for aid to Korea, Palestine refugees and technical assistance.

III. *There are three broad alternatives:*

*a.* Continue with the present arrangements unchanged.

*b.* Abolish ECA and lodge ECA functions in the State Department.

*c.* Convert ECA into an agency with general responsibility for foreign aid operations, with necessary interagency arrangements with State and Defense to insure that foreign aid programs support foreign policy and military production.

The third alternative (*c*) was recommended by the Bureau of the Budget.

IV. *Functions:*

*a.* ECA would be the operating agency for all economic grant and technical assistance programs proposed in the foreign aid package bill.

*b.* Point IV and IIAA[4] would be transferred to ECA, *provided* satisfactory arrangements for administering them could be worked out. The President indicated that his approval of the transfer was contingent on development of a specific plan satisfactory to him and which he would approve.

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[3] For text of the President's letter, April 5, see circular airgram, April 12, p. 290.

[4] The Institute of Inter-American Affairs, established in 1942 and a United States Government corporation since 1947, was the agent for the administration of technical assistance by the United States to the other American Republics. For documentation on U.S. economic and technical assistance policy regarding the American Republics as a group, see vol. II, pp. 1038 ff.

V. *ECA* would not be a permanent agency, but would continue in operation while the size and diversity of foreign aid operations warranted. The June 30, 1952, termination date would be eliminated.

VI. *State–ECA Relations:*

*a.* Leadership of the State Department on behalf of the President in foreign affairs across the board, including foreign economic aid, must be recognized.

*b.* ECA operations must be more closely coordinated by State. However, there should be no amendments of Sections 105, 108, and 109 of the ECA Act,[5] but both agencies should interpret the Act in favor of closer coordination instead of the present interpretation of virtual independence of ECA.

*c.* The recent interagency memorandum on international security affairs[6] and the Spofford[7] terms of reference have settled several important aspects of State–ECA relations. Additional clarification is proposed through:

1. Provision that when the ECA Administrator and the Secretary of State disagree, no action should be taken pending resolution by the President.

2. With respect to control of funds, ECA would submit its budget estimate to the Bureau of the Budget, but would be required to coordinate with State in the preparation of its budget. Appropriations would be made to the President and funds would be allocated by the Bureau of the Budget on the advice of State.

3. Defense and Treasury would participate in foreign aid decisions through ISAC and NAC, respectively.

VII. *In regional matters*, the proposition should be established that OSR is part of the United States organization for NATO purposes. OSR should be the economic staff to Spofford. Relationships at the regional levels should generally follow those proposed for the country level.

VIII. *Country Organization:*

*a.* We should move toward integration of economic work in the country under a single head appointed jointly by State and ECA. The de-

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[5] Reference is to the Economic Cooperation Act of 1948, Title I of Public Law 472, 80th Cong. (62 Stat. 137). The sections under reference dealt with, respectively, the general functions of the Administrator of the Economic Cooperation Administration, ECA Special Representatives abroad, and Special ECA Missions abroad.

[6] The memorandum, approved by President Truman on December 19, 1950, is printed in *Foreign Relations*, 1950, vol. I, p. 484.

[7] Charles M. Spofford, Deputy United States Representative, North Atlantic Council; Chairman of the European Coordinating Committee.

tails and extent of actual integration are very complex and will take a long time to work out.

*b.* State, Defense, and ECA should retain existing vertical command channels for day to day operations, but there should be coordinated instructions for matters of common concern.

*c.* Where differences occur at the country level, no action should be taken pending referral of the issue to higher levels on the basis of a single statement.

*d.* The Ambassador is recognized as responsible for leadership and coordination of the whole United States Mission in the country.[8]

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[8] An extract from the memorandum of understanding between the Department of State and the Economic Cooperation Administration on "Relationships and Organization of United States Representatives and Certain North Atlantic Treaty Bodies in European Production and Economic Aid Programs," as revised and circulated on March 6, 1951, is included in *The Ambassador and the Problem of Coordination*, Committee Print prepared for the Committee on Government Operations, United States Senate (Washington, Government Printing Office, 1963), pp. 59–61. For additional documentation on this general subject, see vol. III, pp. 1 ff.

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*Editorial Note*

A restructuring of Executive Branch organization for the preparation of foreign aid programs occurred during March 1951. Department of State Departmental Announcement 56 of March 16, 1951, reads in part as follows:

"Effective immediately, Colonel Charles H. Bonesteel is temporarily designated as a Special Assistant to the Secretary to assist in preparing the Foreign Aid Program for presentation to the Congress. Colonel Bonesteel will give full-time central direction and coordination within the Department to the final phases of the preparation of the Aid Program. In this capacity he will work with the Chairman of the Foreign Aid Steering Group, the Chairman of the Committee on International Security Affairs, and with appropriate officials of the Department and of other agencies."

Bonesteel, Executive Director of the European Coordinating Committee in London, the regional coordinating body for the Mutual Defense Assistance Program, returned to that position upon completion of the foreign aid presentation assignment.

As Special Assistant to the Secretary of State, Bonesteel served as the Department of State representative on a new Executive Group on Foreign Aid. Other members were Colonel George A. Lincoln, Special Assistant to the Secretary of Defense; and C. Tyler Wood, Deputy United States Representative in Europe of the Economic Cooperation Administration. The Executive Group, with offices in the State Depart-

ment, became the primary full-time group with responsibility for the preparation of foreign aid programs and Congressional presentation.

The members of the new Executive Group attended meetings of the Foreign Aid Steering Group on March 22 and April 11. Thereafter, the Steering Group ceased to meet, its Task Forces having largely completed preparation of the Fiscal Year 1952 foreign aid programs. The Executive Group, meanwhile, met nine times between March 28 and May 4, concerning itself with unresolved questions relating to the programs and to matters of Congressional presentation. The records of the Executive Group are located in FRC Acc. No. 62A613, Box 124.

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Secretary's Memoranda, Lot 53 D 444 [1]

*Memorandum of Telephone Conversation, by Mr. Lucius D. Battle, Special Assistant to the Secretary of State*

CONFIDENTIAL [WASHINGTON,] April 3, 1951.

Participants: Mr. Lawton
Mr. Acheson

Mr. Lawton called the Secretary this morning to discuss with him the problem of ECA–State relationship and a paper which Mr. Webb has apparently shown to the Secretary.[2] The Secretary said that he had been over the paper with Mr. Webb. It was all right so far as he was concerned. He thought he understood it and saw no objection to it.

Mr. Lawton said Mr. Foster was quite upset about the paper. Mr. Foster feels it would be the end of ECA as an independent agency and that it might be better to move ECA formally to the State Department. Mr. Lawton said that Mr. Foster was worried about the Cabot–ISAC Committee relationship and felt that in effect ECA was moved down to the country-desk level and would receive instructions from this group.

Mr. Lawton said that he thought that there must be planning on NATO and back-stopping for it and that there could be no proper coordination without "teeth in it". He said that this proposal simply puts the teeth into the coordinating function and by the funds going to the State Department a real coordination could be effected.

Mr. Acheson said that he did not feel this proposal put ECA in anything like the position Mr. Foster felt it did. He mentioned that,

[1] Chronological collections of the Secretary of State's memoranda, memoranda of conversations, and memoranda of conversations with the President for the years 1947–1953, retired by the Executive Secretariat of the Department of State.
[2] See position paper, *infra*.

while he would be responsible for allocating, after receiving the recommendations of ISAC, there was still an appeal available by anyone who was dissatisfied to the President of the United States. Mr. Acheson said that he felt this should be stressed with Mr. Foster.

Mr. Lawton said that he planned on talking with the President this morning and that the President might want to talk to the Secretary and to Mr. Foster. Mr. Acheson said he would, of course, be glad to join any meeting, if it would be helpful. Mr. Lawton also mentioned that it might be desirable for Mr. Acheson, Mr. Foster, Mr. Harriman and Mr. Lawton to sit down together for general discussion in an effort to get an agreement on the plan. The Secretary said he would like very much to have Mr. Webb present if it were agreeable to the others, but told Mr. Lawton he thought that it would be helpful if he went ahead with his plans for discussion with the President today.

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Secretary's Memoranda, Lot 53 D 444

*Position Paper*[1]

[WASHINGTON, undated.]

Arrangements within the executive branch for the conduct of our foreign economic aid programs must be designed to insure that such programs give maximum support to our foreign policy objectives. Financial and budgetary procedures are an important part of those arrangements, and should, accordingly, take the following form.

First, foreign assistance funds should be appropriated to the President as has been the practice in past years. Second, foreign assistance funds should be allocated to the operating agencies in a manner which will give the operating agencies maximum flexibility in carrying out their responsibilities. At the same time, arrangements should insure maximum coordination of programs at the departmental level, but, in the event any issues are not resolved at that level, they should be presented to the President through the Bureau of the Budget. The allocations should be made, therefore, by the Secretary of State under procedures approved by the Bureau of the Budget; should be for

[1] This paper was presumably the result of an interdepartmental effort coordinated by the Bureau of the Budget (see memorandum of Acheson–Lawton conversation, *supra*). A notation at the top of the source text by Special Assistant Battle indicates that this paper had been seen by the Secretary of State. A covering memorandum, also by Battle, states that the paper had been discussed by Secretary Acheson and Under Secretary Webb on the morning of April 3, and expressed the belief that the paper was that discussed by the Secretary and Mr. Lawton.

periods of not less than a quarter year; and should be based on regional or functional programs developed by the operating agencies. In making these allocations the Secretary of State should secure the advice of the Director of International Security Affairs who would develop his recommendations in consultation with the International Security Affairs Committee. Allocations to participating agencies for administrative expenses will be determined by the President. Foreign assistance budget estimates should be submitted by the operating agencies to the Secretary of State for coordination and review by the Director of International Security Affairs in consultation with the International Security Affairs Committee, and for submission by the Secretary of State to the Bureau of the Budget. The operating agencies would carry the major part of the burden in presenting budget estimates in budget hearings before the Bureau of the Budget and the Congress. The Bureau of the Budget should seek advice from the operating agencies as well as the Department of State in making apportionments.

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Secretary's Memoranda, Lot 53 D 444

*Memorandum of Telephone Conversation, by Mr. Lucius D. Battle, Special Assistant to the Secretary of State*

CONFIDENTIAL [WASHINGTON,] April 4, 1951.

Participants: Mr. Foster
Mr. Acheson

Mr. Foster telephoned the Secretary this afternoon in connection with the language under discussion in the President's letter.[1] Mr. Foster said the last version of the situation is entirely satisfactory to him.

The Secretary said that Mr. Webb had told him about it and the Secretary had told Mr. Lawton that whatever he worked out would be satisfactory with him. The Secretary assured Mr. Foster that he didn't want to cause any pain and anguish to his brethren.

Mr. Foster said that the first thing to be done was for the Secretary to decide the broad decisions as to what is military end-item assistance and economic support, etc. Once those basic determinations have been made, Mr. Foster thought the Secretary would not think it necessary to have State Department officials look at each dollar that is spent. Mr. Foster said that, as he read the paper now, it will accomplish those broad purposes. The Secretary said that this was all right.

[1] The draft under reference has not been identified, but for the final text of the President's letter to the Secretary of State and the Administrator of the Economic Cooperation Administration, April 5, see circular airgram, April 12, *infra*.

Mr. Foster said that he felt both he and the Secretary were interested in the same thing—to get the job done. Mr. Foster said that he has told Mr. Lawton that the present paper is quite all right with him, and he will tell Mr. Lawton that he may proceed with the endorsement of the Secretary and Mr. Foster.

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800.00 FA/4-1251 : Circular airgram

*The Secretary of State to Certain Diplomatic and ECA Missions*[1]

WASHINGTON, April 12, 1951—9:10 a. m.

This is a Joint State–ECA Message.

Quoted below for your information is a letter dated April 5, 1951 from the President to the Secretary of State and the ECA Administrator setting forth certain guidances on the administration of foreign aid programs. State and ECA recognize the need for further interpretation and will keep missions informed from time to time.

"The executive branch will shortly submit to the Congress proposals for foreign assistance programs for the fiscal year 1952. These proposals will reflect the changing circumstances in the international situation and will require adjustments in the arrangements which have been made for the administration of our foreign aid programs. This letter is concerned with certain adjustments in the roles of, and relationship between, the Department of State and the Economic Cooperation Administration in the administration of foreign economic and technical assistance programs.

"It is essential that all our overseas programs be fully coordinated with each other in support of our primary foreign policy objective, namely, the preservation and strengthening of the free nations of the world. To achieve this objective in the administration of foreign economic and technical assistance programs, the following policies shall guide the Department of State and the Economic Cooperation Administration.

"1. The scope and complexity of foreign economic and technical assistance programs and the need for maximum continuity and dispatch in their performance warrant the continuation of ECA as a separate agency to carry on such programs. The Congress should be requested to repeal the present date for termination of the ECA.

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[1] Sent to diplomatic and Economic Cooperation Administration missions in Bangkok, Djakarta, Manila, Rangoon, Saigon, Seoul, Taipei, Tokyo, Bern, Brussels, Copenhagen, Dublin, Lisbon, London, Oslo, Paris, Reykjavik, Rome, Stockholm, The Hague, and Vienna. Copies were also sent to Ankara and Athens on April 13.

"2. ECA should be made responsible for economic and technical assistance, as authorized by the Congress, to Western European countries and their dependent overseas territories in completing the European Recovery Program and in support of military programs under the North Atlantic Treaty. It should also administer Congressionally authorized economic assistance programs to countries in Southeast Asia and the Near East. In addition, ECA should be responsible for such special types of aid as economic assistance to Yugoslavia, and the food program for India. The ECA should provide economic staff work for the United States in connection with United Nations administered programs for Korea, the Palestine Refugees, and the International Children's Emergency Fund. The ECA would consult, advise and assist the State Department in the exercise of the latter's responsibilities as the primary channel of U.S. representation to the United Nations and its affiliated organizations with respect to those programs.

"3. The Secretary of State, under my direction, is the Cabinet officer responsible for the formulation of foreign policy and the conduct of foreign relations, and will provide leadership and coordination among the executive agencies in carrying out foreign policies and programs. The ECA, like other agencies engaged in administering specific overseas programs, will need to advise and consult with the Secretary of State and his staff to facilitate this responsibility for over-all foreign policy and program coordination. In the event that there is disagreement between the Secretary of State and the ECA Administrator regarding proposed ECA policy or program actions, no action should be taken until a joint statement has been submitted and the issues have been resolved by the President.

"4. Financial and budgetary procedures are an important part of the arrangements to insure that foreign economic aid programs give maximum support to our foreign policy objectives and should, accordingly, take the following form.

"First, foreign assistance funds should be appropriated to the President as has been the practice in past years. Second, foreign assistance funds should be allocated to the operating agencies in a manner which will give the operating agencies maximum flexibility in carrying out their responsibilities. At the same time, arrangements should insure maximum coordination of programs at the departmental level, but, in the event any issues are not resolved at that level, they should be presented to the President through the Bureau of the Budget. Accordingly, the Secretary of State, after recommendation from the International Security Affairs Committee where appropriate, should make

the broad decisions concerning the use of funds as between (*a*) military end-item assistance and economic support and (*b*) major political areas. The Secretary of State should make allocations of funds to the operating agencies under procedures to be approved by the Bureau of the Budget. There should be an initial allocation early in each fiscal year of the bulk of the available funds, a moderate balance being reserved for adjustments later in the year to preserve flexibility. Allocations to participating agencies for administrative expenses will be determined by the President.

"Foreign assistance budget estimates should be submitted by the operating agencies to the Secretary of State for coordination and review by the International Security Affairs Committee and thereafter submitted by the operating agencies to the Bureau of the Budget. The operating agencies would carry the major part of the burden in presenting budget estimates in budget hearings before the Bureau of the Budget and in the Congress. The Bureau of the Budget should seek advice from the operating agencies as well as the Department of State in making apportionments.

"5. Existing arrangements for policy and program coordination (including the International Security Affairs Committee) as provided in the interagency memorandum of understanding approved by me on December 19, 1950, shall be effectively maintained.

"6. The ECA Office of Special Representative in Europe should provide the economic staff work required by the U.S. Deputy in the North Atlantic Treaty organization. As previously determined, the U.S. Deputy shall provide leadership among U.S. regional representatives in Europe to achieve a coordinated political-military-economic effort among our overseas representatives in the North Atlantic Treaty organization. In the event that differences occur between the U.S. Deputy and the ECA Special Representative in Europe which cannot be resolved by them, no action should be taken until the issue is jointly submitted to and resolved in Washington by the two agencies concerned.

"7. To obtain maximum efficiency and economy, to avoid duplication or uncoordinated effort, and to preserve the long-range economic objectives of the Organization for European Economic Cooperation, we should promote integration of the economic work of the North Atlantic Treaty organization and the Organization for European Economic Cooperation.

"8. At the country level all U.S. representatives to that country must speak and act in a consistent manner. The U.S. Ambassador is the representative of the President of the United States to the country and is

responsible for assuring a coordinated U.S. position. He should be fully supported in the exercise of this responsibility by all U.S. representatives to the country.

"9. To prevent duplication and to assure maximum efficiency and coordination, wherever there is an ECA Mission in a country concerned with the general economic development of that country, our objective should be an integrated U.S. economic staff in the country serving all U.S. needs. While the specific organizational arrangements may vary from country to country, this objective can best be met by having the officer in charge of such an integrated staff serve as both ECA Mission Chief and as principal economic officer in the Embassy. The State Department and the ECA, with the guidance of the Bureau of the Budget, should work out measures to accomplish the objective.

"10. General policy and program directives from ECA to its missions overseas should be substantively coordinated with the State Department and identified as coordinated instructions.

"11. The changing nature of our international programs makes effective arrangements for coordination at the country level increasingly important. The Ambassador should see to it that the ECA Mission Chief is fully and currently informed on matters which affect the ECA program. The ECA Mission Chief in a country should keep the Ambassador fully and currently informed of ECA activities. He should consult with the Ambassador on matters involving U.S. policy or program determinations affecting the country. This does not mean supervision by the Ambassador of day-to-day ECA operations; such supervision is the responsibility of the ECA Mission Chief. Where the Ambassador objects to a proposed action by the ECA Mission Chief or his staff and the issue is not resolved at the country level, the question shall be referred to higher administrative levels by a joint written submittal, and the Ambassador may, if he so desires, suspend the action until the question is resolved.

"The foregoing establishes the major framework within which the Department of State and the Economic Cooperation Administration can work for the sound organization and administration of our foreign assistance programs. I shall expect the two agencies, with the Bureau of the Budget providing general leadership on my behalf, to develop specific arrangements in accordance with this general guidance.

"I am sending an identical letter to the Economic Cooperation Administrator."

ACHESON

549-782—79——20

800.00–FA/4–1451

*Memorandum by Colonel Charles H. Bonesteel, III, Special Assistant to the Secretary of State, to the Under Secretary of State (Webb)*

TOP SECRET [WASHINGTON,] April 14, 1951.

Subject: Status—Preparation Foreign Aid Presentation.

1. Bureau of Budget markings on most of Titles II, III and IV [1] were received Friday [2] and revisions of programs are under way in accordance with the agreed procedure.

2. On Title I,[3] ECA is putting its figures to the Bureau of the Budget Monday or Tuesday. The Bureau hopes to start hearings Wednesday or Thursday and give us markings as soon as possible thereafter, probably about April 24. This will leave a terrible job to try to finalize and reproduce the Presentation documents by April 30.

3. There are still a number of problems which worry us. The most important of these are:

*a.* We do not have a satisfactory American estimate of the costs of the NATO Medium Term Defense Plan [4] plus essential non-NATO defense costs of European NATO countries. We have made a rush estimate of these costs which indicate total costs, from now on out, ranging in the order of $66.5 billion to $73.5 billion. The presently projected program—both end-item and ECA aid—do not cover the straight time-phased deficiencies indicated for FY '52 when realistic European capacity to finance is taken into account. We must have some sound and rational explanation of this for Congress. We are exploring the idea of suggesting a meeting of the State, Defense and ECA top level with Mr. Harriman to rationalize this problem. I will let you know our suggestion very shortly.

*b.* The proposals on organization and administration are not yet to our mind effective. The President's letter [5] leaves many areas fuzzy. The Executive Branch must tell a clear story to Congress on the following points, among other:

(1) The procedures for allocating funds (Defense is likely to protest the President's letter in this regard);

(2) The jurisdiction of ISAC in regard to all foreign aid programs;

(3) The mechanics for integrating grant and loan projects in countries;

(4) A scheme for integrating activities in foreign nations for development and procurement of strategic raw materials.

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[1] Titles II, III, and IV of the proposed foreign aid legislation dealt with the Near East and Africa; Asia and the Pacific; and the American Republics, respectively.

[2] April 13.

[3] Title I concerned itself with aid to Europe.

[4] For documentation on the Medium Term Defense Plan, see vol. III, pp. 1 ff.

[5] For text of the President's letter to the Secretary of State and the Administrator of the Economic Cooperation Administration, April 5, see circular airgram of April 12, *supra*.

I am at a loss to suggest how to whip these organizational problems. The Bureau of the Budget supposedly has them in hand, but, to the best of my belief, are not doing the job required. Our predictions that the completion of studies on physical feasibility of the program and its impact on the U.S. economy would be a final bottleneck are confirmed. Work is actively underway between ECA, Defense, Mr. Harriman's office, ODM and CEA, but it will be a miracle if we have the answers in time to incorporate them in a Presentation Book [6] to be printed by April 30. We are, as is Mr. Harriman's office, "needling" this operation as best we can.

C. H. Bonesteel, III

[6] The documents comprising the presentation book used by the Executive Branch for Congressional hearings are located in FRC Acc. No. 62A613, Boxes 124 and 128.

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700.5–MAP/4–1751

*Memorandum by Colonel Charles H. Bonesteel, III, Special Assistant to the Secretary of State, to the Under Secretary of State (Webb)*

SECRET [Washington,] April 17, 1951.

Subject: The "Working Doctrine" for the Foreign Aid Presentation

1. Attached are two copies of the "working doctrine" which you originally dictated some time ago.[1]

2. This present version incorporates the ideas of Paul Nitze [2] and Mr. Harriman and has been cleared in general with Messrs. Lovett and Foster and General Bradley [3] in addition to Mr. Harriman and Paul Nitze.

3. We do not anticipate any particular widespread use of the doctrine, but it has been extremely helpful in permitting us to get on the beam. If you agree with the paper in its present shape, you may wish to show a copy to the Secretary.[4]

[1] The attachments do not accompany the file copy. The source text of the document which is attached is located in FRC Acc. No. 62A613, Box 124.

[2] Director of the Policy Planning Staff.

[3] General of the Army Omar N. Bradley, Chairman of the Joint Chiefs of Staff.

[4] No evidence has been found to confirm that the paper was seen by the Secretary of State.

[Annex]

*Statement of Working Doctrine for Presentation to Congress of Foreign Aid Programs*

SECRET [WASHINGTON, April 16, 1951.]

MEMORANDUM FOR THE EXECUTIVE GROUP
Colonel Bonesteel
Ambassador Wood
Colonel Lincoln

1. There is urgent necessity for a foundational working doctrine from which will be derived the many detailed decisions required to finalize the Presidential submissions to the Congress on foreign assistance programs. There follow guide lines for such a doctrine:

2. The United States holds the position of leadership of the free world in a vital struggle for survival. To meet our responsibilities requires a tremendous effort in production, resources and personal service during the next 2–4 years, and a probability of a continuing substantial effort thereafter. *The U.S. security program, including foreign assistance elements thereof, must be such as to assure sustained effort and continued support by the U.S. public and Congress. Therefore, projects presented to the Congress in the foreign assistance program must have both intrinsic merit and demonstrable importance to national security and fundamental national interest.*

3. The U.S. position today requires a program which:

*a.* Will accomplish, as rapidly as feasible, the simultaneous build-up of *military* strength in being of:

(1) the United States,
(2) the other North Atlantic Treaty Nations,
(3) *in terms of operational requirements*, those other areas in the Far East and Middle East, as well as Germany and Yugoslavia, now threatened by the Soviet system, whose loss would be of *critical importance* to our national security, and
(4) those elements of Latin American armed forces which can provide military strength *essential* to hemisphere defense.

*b.* Will permit the build-up of general strength in the free world to be planned and executed to provide:

(1) production and facilities directly required for military forces and necessary support in depth, including bases,
(2) economic foundations capable of sustaining short and long-term military preparedness, with particular emphasis on the quick development on the part of those countries and regions having major economic potentials to a position of self-support of their defense efforts.

*c.* Will provide reasonable assistance to underdeveloped areas to help them help themselves to develop their resources, productivity and strength, thereby deterring further internal subversion or aggressive adventures by communist forces, giving a sense of positive purpose through association with the more developed democracies, and laying the foundation for cooperation with these areas that will expedite effective development and use of their resources including scarce and strategic materials in their own interest and in the interest of an expanding defense requirement and expanding world trade.

*d.* Is aimed at attaining maximum realistic contributions by each free nation to the sum total of free world military strength and the development of their capabilities and potential, singly and mutually.

4. Finalizing of this program for Congress will take into account the necessity for adjustments as compared with previous programs to reflect the important changes which have taken place since the aggression in Korea. Among major changes are:

*a.* The change in the international economic situation, including the improvement in the external financial position of many countries, the scarcity of raw materials and of commodities desired by raw materials producing areas, and of increasing the production of scarce raw materials.

*b.* The scarcity of many materials and finished goods in the U.S. will necessitate defense priorities to obtain these items for all exports of such items including those financed by foreign loan and grant programs.

5. In order to have a program of maximum effectiveness under the changed conditions since Korea, it must have:

*a.* Sufficient flexibility to permit resources to be used in such a way as to contest most effectively the shifting tactics of communism.

*b.* Realistic appreciation of fundamental political factors in other free nations.

*c.* The integrated utilization of economic, military, political and spiritual resources of the United States, powered and guided by efficient streamlined organization and teamwork in the Government and in the field.

6. Planning will include maximum efforts to eliminate administrative clogging of the functioning of the U.S. programs. Emphasis will be placed on gaining, as an integral part of building the mutual security to which the U.S. will be contributing so heavily, the maximum cooperation from all free nations in development, distribution and conservation of scarce resources.

7. The basic concept of U.S. tactics is to build U.S. power in being, to encourage the maximum effort to build strength and stability in friendly countries, and to exert psychological, economic, and other pressures to interfere with the accomplishment of communist programs.

700.5 MAP/4-2651

*The Administrator of the Economic Cooperation Administration (Foster) to the President* [1]

CONFIDENTIAL WASHINGTON, April 18, 1951.

DEAR MR. PRESIDENT: The expression of confidence in the Economic Cooperation Administration, in the assignment of further responsibilities, and in the description of the framework of operation with the Department of State as set forth in your letter of April 5, 1951,[2] is gratifying to every member of this organization. As its Administrator, I will strive to guide the organization along the lines you have directed and to continue to merit this confidence.

A provision of the repeal of the present terminal date of the ECA has been included in the draft of the Mutual Security Assistance Act.

Every appropriate measure is being taken, under the guidance of the Secretary of State, to promote the integration of the economic work of the North Atlantic Treaty Organization and the Organization for European Economic Cooperation.

Coordination of policy and program directives is effected at all levels between the staffs of the Department of State and the ECA. Regionally in Europe, the U.S. Special Representative is a member of the European Coordinating Committee under the chairmanship of the U.S. Deputy; in each country, the ECA Chief of Mission works under the leadership and general guidance of the Ambassador, and supports him in assuring a coordinated U.S. position in that country. I will see to it, with all the means at my command, that the ECA continues to work in this relationship with the Department of State, and that ECA Mission Chiefs in the full spirit of your letter advise and consult with the Ambassador on matters involving foreign policy and program coordination.

Planning is already well advanced for further integration of the work and effective utilization of the staffs of the ECA Missions and the economic sections of the diplomatic missions. We have found from experience, as you indicate in your letter, that there are various ar-

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[1] On April 26, the source texts of this letter and the letter appearing *infra* were transmitted to William J. McWilliams, Director of the Executive Secretariat, Department of State, by Gordon E. Reckord, Executive Secretary of the Central Secretariat, Economic Cooperation Administration, accompanied by a memorandum of transmittal which reads as follows:

"We have been asked by the Administrator to transmit to the Department of State the attached copies of his letter to the President, and therefore request that the letters be brought to the attention of the Secretary.

"There are two letters which were sent on the same day with the thought in mind that the President might wish to make Mr. Foster's reply public. The first letter (identified as Attach. 1) could then be released to the press. You will note that the second letter (Attach. 2) is still classified Confidential." (700.5 MAP/4-2651)

[2] For text, see circular airgram of April 12, p. 290.

rangements. depending on the circumstances in a particular country, by means of which this purpose can be accomplished.

Since receiving your letter, I have asked the Director of the Budget for guidance on certain questions which have arisen in its interpretation. I will communicate with you further as soon as these matters have been clarified.

Respectfully yours, WILLIAM C. FOSTER

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700.5 MAP/4–2651

*The Administrator of the Economic Cooperation Administration (Foster) to the President* [1]

CONFIDENTIAL WASHINGTON, April 18, 1951.

DEAR MR. PRESIDENT: With further reference to my letter of this date [2] I feel, for instance, that we should have more specific definition of the countries in Southeast Asia and the Near East in which you have indicated ECA will be responsible for special technical and economic assistance programs.

We have also taken up with the Bureau of the Budget certain other questions such as the relation of Export-Import Bank loans to total country programs, handling of foreign requirements, procurement and development abroad of strategic and other essential materials, and control of trade with the Soviet area.

The experience gained in World War II, confirmed in recent operations of the ECA, has demonstrated that the handling of foreign requirements and economic development activities in a country provides bargaining power in the development and procurement of essential materials in that country. It is thus desirable that these interrelated functions be assigned to the same agency in respect to each particular country.

I mention these matters here only because of the necessity of the Executive Branch reaching decisions which will enable a clear-cut, and convincing budget submittal to the Congress by the end of this month.

Respectfully yours, WILLIAM C. FOSTER

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[1] Regarding this letter, see footnote 1, *supra*.
[2] *Supra*.

700.5 MAP/4-2351

*Memorandum by Colonel Charles H. Bonesteel, III, Special Assistant to the Secretary of State, to the Under Secretary of State (Webb)*

CONFIDENTIAL WASHINGTON, April 23, 1951.

Subject: Organization for the Mutual Security Program

Attached is a rather drastic memorandum which the "Executive Group" is submitting to you. I should tell you that it represents a good deal of soul searching and is in no way motivated by "Departmental" attitudes on the part of any of the three of us.

We sincerely believe that when the Mutual Security Program [1] is presented to Congress as a global, new, and positive approach to the heightened tensions in the world, it must be accompanied by something more than a patchwork organizational structure. The organizational issues to be met are very plain. We believe that the time has come to "grasp the nettles" and that not to do so will greatly increase the difficulties in securing passage of the Program.

We had in mind that, if you agree to this memorandum as a basis for discussion, it should be given Messrs. Foster, Lovett, Harriman, and Lawton, and that they should then meet with you, within the next few days, to agree on concerted recommendations to the President.[2]

This matter is *urgent*. The stir being created in the press and on the Hill by the President's letter of April 5 [3] is exacerbating the situation.

Could we see you on this matter at your earliest convenience—preferably before 4 p. m. today, when we must meet with the White House offices [4] to review draft of the President's Message, which includes statements on organization.

[Annex]

*Memorandum by the Executive Group on Foreign Aid Presentation to the Under Secretary of State (Webb)*

CONFIDENTIAL [WASHINGTON,] April 23, 1951.

Subject: Organization for Administering the Mutual Security Program

*The Problem*

1. It is the considered opinion of our group that a clear exposition of a sensible organizational arrangement for implementing MSP is

[1] Regarding President Truman's message of May 24 proposing foreign aid in the form of a "Mutual Security Program," see editorial note, p. 317.

[2] No record of the proposed meeting has been found in Department of State files.

[3] For text, see circular airgram, April 12, p. 290.

[4] No records of the meetings under reference have been found in Department of State files.

essential to an adequate and successful presentation of the program to Congress. This has been confirmed from many sources, including informal contacts on the Hill.

2. A revision of the proposed chapter on organization for the presentation document has been prepared by a group working under the chairmanship of Mr. Burton of the Bureau of the Budget. This document is confused, unclear, and would only emphasize to Congress that within the Executive Branch there is not a comprehensive and effective organizational concept for implementing MSP.

3. The President's letter of April 5 on organization has not clarified the basic issues involved in establishing an effective organizational arrangement.

4. The President's letter has reached the press and has evoked critical comment, not only from the press, but also from public and private organizations and individuals.

5. The time remaining before presentation of the President's message to Congress on MSP is so short that it will take extraordinary action to improve the present situation.

*Facts and Discussion*

6. There is no basic issue taken by any of those concerned with the organizational problem to the fundamental premise that the State Department should exercise leadership, guidance, and in the final instance, control—subject only to Presidential determination if other interested Cabinet officers object—over all elements of the foreign policy of the United States and over the policies and principles to govern the operations of other agencies involved in overseas activities insofar as they affect Foreign Policy considerations.

7. Confusion and conflicting ideas exist, however, as to arrangements for policy coordination and the assignment of operational responsibilities under established policies and principles.

8. There are two principles which, we believe, should govern organizational arrangements for carrying out the MSP. They are:

*a*) The arrangements should be so designed as to assure that all U.S. operative agencies abroad carry on their activities in accordance with U.S. foreign policies and objectives common to all. This means effective coordination and genuine agreement by all concerned on these policies, and a system for general review of operations to see that they are, in fact, conforming to such policies.

*b*) The organizational arrangements should be as simple as possible and lead to the best and most rapid furtherance of U.S. objectives, with least expenditure of American resources in either money, manpower, or physical materials.

9. These principles should be applied to the present confused organizational picture. There are seven principal problem areas which need clarification. These are listed hereafter; first, the questions aris-

ing from the President's letter of April 5, and, second, the remaining issues.

*The President's Letter*

10. *The question of one "Overseas Economic Aid Agency".* Both the Gordon Gray Report [5] and the Rockefeller Report have specific recommendations to the effect that a single Overseas Economic Administration should be established. We are not yet aware of the recommendations of the Brookings Institution.[6] However, in our view, the whole concept of a global foreign aid program makes it imperative that the question be faced now. We believe there is need for a comprehensive Overseas Economic Aid Agency to carry out the operations of administering such aid abroad. It seems to us, further, that there are not sufficient reasons to justify continuing duplicative separate organizations involved in foreign aid and assistance such as TCA and the ECA's organization for technical assistance, particularly in light of the need for better U.S. organization to develop the increased production by foreign countries of strategic materials. We recommend that ECA be made the sole agency administering foreign economic aid and that urgent consideration be given to the transfer of TCA and IIAA to the ECA, taking care to preserve appropriate authority and prestige for Dr. Bennett [7] and his staff within the ECA. We believe this can be done.

11. *The question of the Allocation of Aid Funds.* The President's letter states: ". . . the Secretary of State, after recommendation from ISAC where appropriate, should make the broad decisions concerning the use of funds as between (*a*) military end-item assistance and economic support and (*b*) major political areas". It is understood that this decision, although its scope and intent has been much misunderstood, was reached without consultation with the Department of Defense and has raised objections there. We do not believe this question is substantively of major importance, but as it seems to be interpreted by the public and by Congress it may be difficult to handle. If it would be interpreted, as we believe it must, to mean allocations only within the legislatively permitted flexibility between programs and between Titles of the Act, it becomes less important. If further it is recognized that it does not prohibit either the Secretary of Defense or the Administrator

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[5] For documentation on *Report to the President on Foreign Economic Policies*, by Gordon Gray, November 10, 1950, see *Foreign Relations*, 1950, vol. I, pp. 831 ff.

[6] *The Administration of Foreign Affairs and Overseas Operations*, a report prepared for the Bureau of the Budget by the Brookings Institution, was submitted in June 1951.

[7] Henry G. Bennett, Director of the Technical Cooperation Administration. The TCA, under the general direction of the Secretary of State, administered the technical cooperation program (Point Four) authorized by the Act for International Development (Title IV of the Foreign Economic Assistance Act of 1950, Public Law 535, 81st Cong.).

of the ECA from protesting to the President a decision made by the Secretary of State to which they do not agree, it is even less important. It does not, therefore, seem to us to warrant the political fight it will evoke on the Hill. We recommend, therefore, that in the President's message, it be explicitly stated that there is no intent to alter the status and authority of the Secretary of Defense and the ECA Administrator, a fact evidenced by their continued responsibility to appeal to the President in any case in which they find themselves unable to accept the allocations of funds made by the Secretary of State.

12. *Functions of ISAC.* The President's letter leaves it unclear as to whether ISAC will continue to operate under its existing charter, which limits its activities to "Security Affairs", or whether it should be the over-all interdepartmental coordinating mechanism on all assistance programs of whatever nature. In the formulation of proposed programs for MSP we have found, for instance, that the military and economic programs for Asia were not adequately related. Specifically, in the Formosa program we found that the end-item program was based on the assumption that certain items essential to make the military program effective would be covered in the economic programs. They were not—to the tune of many millions of dollars. We recommend that ISAC clearly and explicitly be given comprehensive responsibility for the coordination of foreign assistance programs, both military and economic including technical cooperation programs, for all regions of the world.

*The Other Urgent Issues*

13. *The question of "primary operating responsibilities" for operating agencies.* In the past there has been considerable duplication of effort and much jurisdictional argument arising from the Department of State and other agencies screening in detail the technical work of agencies charged with primary responsibilities for operating programs. The Interdepartmental agreement establishing ISAC, approved by the President on December 19, 1950, established in its paragraph 7 the primary responsibilities of the operating agencies. When ISAC is considering the allocations of funds for carrying out programs or is approving programs, we recommend that the State and Treasury Departments should accept, with a minimum of double-checking, the technical statistics and recommendations provided by the agencies with operating responsibility and should confine their reviews to broad judgments on major issues. The pre-occupation of the Chairman and State member of ISAC should be to expedite the evolution of clear basic policies and principles, related to our overall Foreign Policy objectives, to govern operations under the MSP, and to achieve proper balance in the allocation of funds. He should not require his State Department staff to duplicate the detailed technical work performed by agencies with operating responsibility, nor to

clear, in advance, technical operating instructions to the field within the framework of established policy. He should, however, be given for information copies of all such instructions when dispatched and his staff should review them to see that they do not diverge from established policy. If any instructions should so diverge, he should initiate immediate and appropriate remedial action.

14. *The question of the proper relating of technical and grant economic assistance programs with the making of Export-Import Bank, International Bank and other loans.* The implementation by the U.S. of a program for technical assistance and economic development grant aid in an underdeveloped country without there being the closest relationship between the implementing agency and the U.S. agency (and international agency) responsible for making governmental loans to the same country makes little or no sense. This is especially true in countries—and there are many—whose credit position is good and which are accruing gold and dollar reserves. We believe that in each underdeveloped country, the effort should be made, principally by the country government but with technical assistance from U.S. personnel (or International Bank personnel) if needed or justified by the U.S. national interest (or United Nations interest), to work out an overall development program for the country. This slowly evolving program would give proper and specific account of the varying sources of funds—the government's, private capital, Bank loans and U.S. technical assistance and grant aid. In cases where U.S. political interests necessitate grant aid to "spark-plug" needed action, this should be taken into account. We believe Congress will wish to be assured that we are in fact moving to establish such procedures. This has not been true, to any substantial extent, in the formulation of country programs in the proposed MSP. We recommend, therefore, that the current consideration by the N.A.C. of this question be expedited and be aimed at effecting in the near future satisfactory working relationships between and among the Export-Import Bank, the International Bank, the ECA, the Department of State and the Treasury.

15. *The question of a consolidated U.S. organizational arrangement for increasing the development and production of strategic raw materials in foreign countries.*[8] At the present there are a great many U.S. agencies involved in this area of activity, but there is no clear assignment of responsibility for the foreign operations in any one agency. In view of the vital importance of this subject to our national security and the obvious importance of relating our foreign assistance programs, particularly in underdeveloped areas, to the attainment of U.S. objectives in this regard, we believe Congress will wish to be

[8] For documentation on U.S. policy regarding the procurement of strategic materials, see pp. 1 ff.

assured that necessary reorganization to this end is under way. Accordingly, we recommend that urgent attention be given this question by the Executive Branch, that appropriate action be taken to expedite the necessary studies and that a recommendation, including the designation of one agency, possibly the ECA, to be responsible in this field, be made to the President on this matter at the earliest feasible date.

16. *The question of the organizational arrangements necessary to assure that "claims" by foreign countries for allocations of scarce materials and goods from the U.S. are presented and acted upon by agencies of the U.S. Government in the way best designed to promote the U.S. national interest.* This is a most complicated question and will require a considerable time to work out adequately in all of its ramifications. We mention it because we believe the success of the whole concept of the MSP will depend more on the availability for transfer to other countries of actual goods and materials from the U.S. at the times they are needed than upon the mere appropriation of funds for the program. The problem encompasses more than the availability just of the materials to be shipped under grant aid and includes those essential items needed by countries no matter how paid for. The obtaining for the U.S. of requisite amounts of strategic raw materials is implicitly involved. We recommend that continued attention be paid this question by the Executive Branch to the end that arrangements adequate to cope with the problem can be effected as rapidly as feasible.

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800.00-TA/4-2451

*The Director of the Bureau of the Budget (Lawton) to the Secretary of Defense (Marshall)*[1]

WASHINGTON, April 24, 1951.

MY DEAR MR. SECRETARY: On April 5, 1951 the President addressed a letter to the Secretary of State and the Economic Cooperation Administrator defining the relationship of these agencies in the administration of foreign aid programs.[2]

Representatives of the Department of Defense have informally raised the question with members of the Budget Bureau staff as to whether language in paragraph 4, outlining a procedure for allocation of funds, had the effect of modifying the provisions of Executive Order 10099[3] dealing with the administration of the Mutal Defense

[1] Copy transmitted to the Secretary of State.
[2] For text, see circular airgram of April 12, p. 290.
[3] For text of Executive Order 10099, January 27, 1950, Administering Authority under the Mutual Defense Assistance Act of 1949 (63 Stat. 714), see *American Foreign Policy, 1950–1955: Basic Documents*, vol. II, pp. 3038–3039.

Assistance Act of 1949. The language in question reads as follows:

"First, foreign assistance funds should be appropriated to the President as has been the practice in past years. Second, foreign assistance funds should be allocated to the operating agencies in a manner which will give the operating agencies maximum flexibility in carrying out their responsibilities. At the same time, arrangements should insure maximum coordination of programs at the departmental level, but, in the event any issues are not resolved at that level, they should be presented to the President through the Bureau of the Budget. Accordingly, the Secretary of State, after recommendation from the International Security Affairs Committee where appropriate, should make the broad decisions concerning the use of funds as between (*a*) military end-item assistance and economic support and (*b*) major political areas. The Secretary of State should make allocations of funds to the operating agencies under procedures to be approved by the Bureau of the Budget. There should be an initial allocation early in each fiscal year of the bulk of the available funds, a moderate balance being reserved for adjustments later in the year to preserve flexibility. Allocations to participating agencies for administrative expenses will be determined by the President."

The specific question which has arisen is whether the phrase "where appropriate" in the foregoing paragraph relieves the Secretary of State of the responsibility placed upon him by Executive Order 10099 for consultation with the Secretary of Defense in making allocation of funds under the provisions of that Order. The President's letter does not revise the requirements outlined in the Executive order, but describes in detail the procedures and working relationships of the agencies in the day-to-day administration of foreign aid programs. There well may be cases where the Secretary of State would prefer to carry out his responsibilities under that order in direct consultation with the Secretary of Defense and the Economic Cooperation Administrator; however, I think there is general agreement that this consultation should take place insofar as practicable through the International Security Affairs Committee established with the President's approval on December 19, 1950 [4] and reaffirmed in paragraph 5 of the President's letter of April 5.

I hope that this letter will serve to clarify the President's position with respect to the questions which have been raised. I am sending you a copy of the full letter for your information.

Sincerely yours, F. J. Lawton

[4] See editorial note, p. 265.

700.5 MAP/5–151

*Memorandum by Colonel Charles H. Bonesteel, III, Special Assistant to the Secretary of State, to the Deputy Under Secretary of State for Political Affairs (Matthews)*

TOP SECRET [WASHINGTON,] May 1, 1951.

Subject: Possibility of Substantial Decreases in Planned MDAP End-Item Shipments to Foreign Countries, Including NATO Countries

1. The Bureau of the Budget, after examining the National Defense Budget, has raised serious question as to whether there will be sufficient expansion in military production in the U.S. during the coming fiscal year to justify asking for MDAP funds to anything like the extent presently contemplated. They have further raised the question as to whether actual deliveries to foreign countries can be maintained or increased during FY 1952. They have built up some statistical figures and graphs, based on the Defense budget presentation, which tend to support their questions, at least on a first, superficial basis.

2. We had a meeting on Saturday morning of persons immediately concerned with this problem, including people from Defense, State, ECA, Budget and Harriman's office. We decided we needed first to get the facts as clear as possible. This is underway and we hope to have much better information in a day or so, at which time we hope to pull together the whole matter and present it for highest level consideration.[1]

3. Among the studies being made is one on the implications abroad of a substantial curtailment of expected MDAP end-item deliveries. I have written a draft of such paper and attach it hereto. I would appreciate any comments you might wish to make on it as soon as feasible.

4. The implications of the Budget questions, if they be true, are great. They might even imply considerable revision in a great many NSC documents. They would certainly imply a need for a "Munitions assignment" arrangement to handle American military production, at least during that period of eighteen months or so before the flow of finished items is sufficient to take care of all contemplated needs.

5. When the full story is pulled together we may wish to present it to the Secretary, and such persons as he designates. It might also be necessary to arrange a meeting between the Secretary, General Marshall[2] and the JCS, if the situation is as bad as the Budget analysis implies. We are hopeful that it will not be so bad but cannot yet tell.

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[1] Notes on the meeting of Saturday, April 28, were contained in Executive Group document P–3, not printed (FRC Acc. No. 62A613; ISA/MDAP Files, Box 124). No documentation on subsequent higher level consideration of this subject has been found in Department of State files.

[2] George C. Marshall, Secretary of Defense.

[Annex]

*Draft Paper by Colonel Charles H. Bonesteel, III, Special Assistant to the Secretary of State*[3]

TOP SECRET [WASHINGTON,] 1 May 1951.
Doc. P-3(d)

EXECUTIVE GROUP
FOREIGN AID PRESENTATION

THE IMPLICATIONS OF SUBSTANTIALLY DELAYED DELIVERIES OF MDAP END-ITEMS

(Written in response to paragraph 3(*d*), Exec. Group Doc. P-3)[4]

*The Problem*

1. A superficial analysis by the Bureau of the Budget of U.S. military production schedules, derived principally from the National Defense Budget for FY '52, indicates that very small expenditures for MDAP end-item programs can be made in FY '52. In the history of MDAP, "expenditures" have closely paralleled actual deliveries to recipient countries. If this continues to be true, it is required to analyze the political and other implications of a sharp curtailment of MDAP end-item deliveries during FY '52 to the NAT countries and other foreign countries expecting U.S. military assistance.

*Discussion*

2. End-item deliveries to non-NATO countries have been programmed on a basis approximating that of operational requirements (except for Greece, Turkey and Thailand). Drastic curtailment of the shipment of these operational requirements could dangerously affect the containment of Communist aggression in Asia and the Middle East. The loss at this time of Indonesia or Formosa—or the expansion of successful civil war in the Philippines—would jeopardize the retention of all of sub-Asia within the Western World. The loss, progressive or immediate, of sub-Asia would deprive the Western

[3] Copies of this memorandum were transmitted to the following individuals: Lincoln Gordon, Assistant to W. Averell Harriman, Special Assistant to the President; Colonel George A. Lincoln, Assistant to the Secretary of Defense and Defense representative on the Executive Committee on Foreign Aid; C. Tyler Wood, representative of the Economic Cooperation Administration on the Executive Committee; William F. Schaub, Deputy Chief of the Division of Estimates, Bureau of the Budget; Mr. Thomsen of the Bureau of the Budget; Lyle S. Garlock, Assistant Comptroller for Budget, Department of Defense; Robert O'Hara, Chief, Foreign Program Branch, Budget Division, Department of Defense; Major General Stanley L. Scott, Director, Office of Military Assistance, Department of Defense; Charles A. Coolidge, Acting Deputy Director, International Security Affairs; William H. Bray, Jr., Office of International Security Affairs; George W. Perkins, Assistant Secretary of State for European Affairs; and Paul H. Nitze, Director of the Policy Planning Staff.

[4] Not printed.

World of strategic materials and trade essential to the preservation of the security and economic viability of the West.

3. Substantial reductions in expected MDAP end-item deliveries to NATO countries in the coming Fiscal Year would have a less immediate, but potentially worse, effect on the national interest and security of the United States. Some of the more important resultants to such a situation are set forth hereafter.

4. The implications of a drastic reduction in expected MDAP end-item deliveries to NATO countries in the near future must be considered against the background of United States policies regarding the North Atlantic Treaty as evidenced by our actions since the Treaty was first considered. The United States was a prime mover in the creation of the concept of a security treaty among members of the North Atlantic community. The United States, evidencing bold leadership, developed the treaty and obtained its ratification by the governments concerned, very largely on the basis that the acceptance of "collective defense" was the only answer by the sovereign democracies of North America and Europe to the threat of outright or piecemeal aggression by the Soviets. Because of the economic weakness of Europe at the time of the ratifications of the Treaty, it was implicit in its concept that the United States would help provide a substantial portion of the arms required to give the treaty realistic validity. This is made almost explicit in Article III of the Treaty. The ratifications of the Treaty by the Parliaments of its European members were courageous declarations on their part of their considered decisions to oppose Communist force by the collective strength of the North Atlantic Treaty countries, rather than to depend on the wishful thinking of neutrality. These decisions were not easy to make considering the almost total lack of strength at the time in Western Europe. It was recognized, however, that the European countries, in themselves, did not have the immediate capability to produce the physical armament necessary to create the degree of strength required for the successful deterring of aggression or for opposing Soviet force with the force of the North Atlantic community.

5. *Economic Implications.* The United States has, since ratification of the Treaty, been forcefully insisting on increases in the defense efforts of our North Atlantic Treaty partners. The present financial measures of defense effort on the part of many of the NAT countries remain, in terms of percentage of national income, considerably below that of the United States. There is no question but what greater defense budgets could be safely supported by most of the NAT countries if the political situation in the countries was such as to obtain the support of majorities in Parliaments to vote such budgets. On the other hand, the present financial efforts, when related to the margins of safety essential to political stability and to the economic viability

needed to support defense efforts, are not too far out of line. If it becomes generally believed that the United States is insisting on an excessive proportional effort in Europe which would have drastic effects on the local economies—as is being suggested by the Bevan[5] "insurrectionists" in England—and if, at the same time, U.S. arrangements implied in past NATO planning to provide substantial amounts of military equipment did not seem to be met, there could be widespread dissatisfaction among segments of the European public. This dissatisfaction might be dangerously increased by Communist and other accusations that the United States was selfishly forcing disproportionate burdens of defense on economically weaker partners without regard to their essential economic viability, at the same time that it was going back on the "bait" it used to snare them into the Treaty. Despite the speciousness of such propaganda, there is no doubt but what it could appreciably affect the "will to fight" in certain countries. As the results of decreased availabilities of raw materials and the inflationary aspects of defense production in Europe became more pronounced, these economic implications could become more and more serious.

6. *Manpower Implications.* The United States has been a leader in the NATO in trying to lengthen terms of conscription and training by other NAT countries. The argument has been energetically advanced by the U.S., multilaterally and bilaterally, that the modern soldier needs at least two years' training before he is adequately fitted to fight as a member of a large unit. The argument frequently advanced by European countries to the effect that it was not politically wise in Europe at this time to draft men if they could not be given the equipment with which to train, has been brushed aside repeatedly by saying that sufficient equipment, at least on training scales, could be provided in the near future. It is unfortunately true, however, that European countries, being so near the Iron Curtain, resist the suggestion that they scatter available equipment among training establishments instead of keeping it in combat ready units. This argument cannot be completely ignored when one considers the shortness of time which would be available for mobilization in case the Russians started to march. Unless steady, increasing amounts of basic military equipment become available in Europe, to keep abreast of the increased manpower called to the colors, serious political and psychological strains may result. Certainly, the forward momentum of defense efforts in Europe would receive a set-back and the public reaction in Europe might be dangerous to the continuance of the North Atlantic Treaty as a dynamic mechanism for security.

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[5] Aneurin Bevan, Minister for Labour and National Service, resigned from the British Cabinet in April to protest defense policies.

7. *Political Implications.* It is proper to assume that there is an increasing "will to resist" building up in Europe. This has not come about spontaneously, but has been slowly built through the combination of many political, military and economic factors. It has been helped most by the knowledge that, largely by U.S. end-item aid, Europe has gradually been getting the arms with which to fight. It is very hard to develop a will to fight Russian tanks with bare hands. The somewhat weak and vacillating governments in many of the European countries have lacked persuasive arguments on which to rest energetic and positive defense programs before their Parliaments and people. There has, however, been slowly developed an increasing willingness on the part of Cabinets to risk political defeat before Parliaments in the effort to get greater defense efforts—a willingness based on an increasing popular appeal for the development of collective strength in which United States end-item assistance plays an essential part. Irresponsible opposition parties, however, could seize on a substantial reduction in expected U.S. assistance to upset existing governments for petty, internal party-politics. The results of a series of governmental defeats on the issue of increased defense efforts would be dangerous to the national interests of the U.S.

8. *Morale Implications.* Communist propaganda has been concentrating for more than a year on developing neutralism in Europe. The Soviet "Peace Offensive" has, with some success, complemented this objective. Despite these Soviet propaganda policies, however, there has been a growth in morale and determination in Europe over the last several years. This has come about, in large part, because of a growing feeling that American arms deliveries were substantially increasing the ability of Europe to defend itself with modern and adequate weapons. If there suddenly developed a hiatus in arms deliveries from the United States, communists and confused nationalists might create such doubts as to the reality of Europe's growing ability to defend itself that a public reaction toward neutrality could result. There is a dangerous, vicious circle inherent in such a possible development. Any pronounced increase in such sentiments in Europe would produce increasing doubt in American opinion, including Congress, as to the "guts" of the Europeans, leading to the possibility of decreased American support to the strengthening of NATO—which in turn would increase the possibilities of neutralism.

*Conclusions*

9. Unless we are to abandon a vast investment, made in the national interest, toward filling the vacuum of power in Western Europe, the above implications must be given full consideration. It seems clear that arrangements should be made within the U.S. Government to sustain, until full U.S. production has been reached, a flow of arms, during the Fiscal Year 1952, from the United States to the European

members of the North Atlantic Treaty carefully balanced with the other vital aspects of our national defense. Such allocating arrangements must, of course, also provide for appropriate allocations to the danger spots in Asia and the Middle East.

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Secretary's Daily Meetings, Lot 58 D 609 [1]

*Summary of Meeting With the Secretary of State* [2]

[Extract]

SECRET [WASHINGTON,] May 3, 1951.

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| Participants: | Mr. Acheson | Mr. Armstrong [4] |
| | Mr. Matthews | Mr. Reinhardt [5] |
| | Mr. Nitze | Mr. Harriman |
| | Mr. Cabot | Mr. McWilliams |
| | Mr. Barrett [3] | Mr. Battle |

. . . . . .

Item 2. *Foreign Aid Bill*

Mr. Harriman reported that Mr. Murphy [6] is now beginning to work on the draft of the President's message on the Foreign Aid Bill.[7] Mr. Murphy's thought is that there should be more emphasis on economic aid, especially to undeveloped areas, than the Bureau of the Budget has allowed. Mr. Murphy believes that it is a sound position for the President to go to the Congress with a substantial amount for economic aid for underdeveloped areas with justification that this is a good way to build a world free of war even though the amount may be cut.

After considerable discussion, it seemed to be the consensus that we should go up with a substantial amount of economic aid which we thought defensible.

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[1] Chronological collection of the records of the Secretary of State's Daily Meetings with top Department of State officials for the years 1949–1952 as maintained by the Special Assistant to the Secretary of State.

[2] Prepared by William J. McWilliams, Director of the Executive Secretariat.

[3] Edward W. Barrett, Assistant Secretary of State for Public Affairs.

[4] W. Park Armstrong, Jr., Special Assistant to the Secretary of State for Intelligence.

[5] G. Frederick Reinhardt, Director of the Office of Eastern European Affairs.

[6] Charles S. Murphy, Special Counsel to the President.

[7] For information on President Truman's message of May 24 proposing the Mutual Security Program, see editorial note, p. 317.

Department of State Administrative Files, Lot 54 D 291

*Memorandum by the Director of the Management Staff (Heneman) to the Deputy Under Secretary of State for Administration (Humelsine)*

CONFIDENTIAL [WASHINGTON,] May 8, 1951.

Subject: Summary of Administrative Aspects of the Mutual Security Program

I. *Summary of Proposed Mutual Security Act of 1951.*

A. *Scheme of Legislation*—The MSA provides for appropriation of funds to the President to be administered under the provisions of the following existing legislation: [1]

The Mutual Defense Assistance Act of 1949, as amended, (MDAA).
The Economic Cooperation Act of 1948, as amended, (ECA).
The Act for International Development, (AID).

B. *Contemplated Programs*—Program authorization is on a regional basis—Europe, Near East and Africa, Asia and Pacific, and the American Republics. Within each of these four areas separate authorizations are contemplated for military and economic assistance as follows:

Title I—*Europe*—Separate appropriation proposed for military and economic assistance with limited transferability (present consideration is 5 per cent of total for both programs) between them to be administered under the MDAA and ECA legislation, respectively.

Title II—*Near East and Africa*—provides for separate appropriation for military assistance to Greece, Turkey and Iran, and permits the President to utilize up to 10 per cent of this amount for military assistance to any other country of the Near East if he deems it necessary for the security of the United States, to be administered under the MDAA. A separate appropriation is provided for economic and technical assistance in Africa and the Near East to be administered, as the President shall direct, under the provisions of the ECA or AID. Contribution up to a certain amount may be made to the United Nations for its Palestine Refugee Program from this authorization.

Title III—*Asia and Pacific*—Separate authorization for military assistance is provided for the "general area of China" to be administered under Section 303 (*a*) of the MDAA. Separate provision is made for economic and technical assistance to be administered, as the President shall direct, under the ECA or AID. In addition, provision will be made for contribution to the United Nations Program for Korean Relief (UNKRA).

Title IV—*American Republics*—Separate provision is made for military assistance to be administered under the provisions of the

[1] For information on existing foreign aid legislation, see footnote 3, p. 267.

MDAA and for technical assistance to be administered under the provisions of the AID and IIAA legislation.

Title V—*General Provisions*—Among others, the MSA contains the following important general provisions:

(1) A power of limited transferability (10 per cent of the funds in any one title presently contemplated) between titles is granted to the President.

(2) The President is authorized to contribute up to a certain amount of the funds authorized for economic and technical assistance under Titles I–III to the United Nations for its technical assistance program.

(3) Provision for a $20,000 per annum job for the Director of S/ISA, which is in addition to the $16,000 and three $15,000 positions provided for by Section 406 (*c*) of MDAA. Provision is also made for super grades to carry out the purposes of the MSA.

II. *Proposed Administrative Arrangements.*

A. *Operation of Programs.*

*European Programs*—The military assistance program under Title I will be operated by the Department of Defense and the Economic Assistance Program (including programs in DOT's) by ECA.

*Non-European Programs*—The military assistance programs contained in Titles II–IV will be operated by the Department of Defense and the operation of the economic and technical assistance programs will be divided between State (TCA and IIAA) and ECA as follows:

State will have responsibility for the programs in the countries of Latin America, Near East (with the exception of Greece, Turkey, Iran and Israel), Egypt, Ethiopia, Libya, and Liberia, where the programs consist primarily of technical cooperation—and ECA will have responsibility in all other countries, where the programs consist primarily of direct aid for consumers needs and capital development. There may be Point Four programs in these ECA countries, but Point Four will be operated in the field through the STEM or other ECA mission.

B. *Organization for Program Review and Coordination.*

*European Programs*—The International Security Affairs Committee (ISAC) will continue as the Inter-Agency policy, program and coordination arrangement for the European Programs.

*Non-European Programs*—The ISAC coordinating mechanism will be extended to include all military and economic programs outside of Europe. Considerations are under way at present for the reorganization of ISAC to include these programs.

C. *Procedure for Program Review and Funds Control.*

The President's letter of April 5, 1951,[2] states that the Secretary of State, after recommendation from ISAC where appropriate, should

[2] For text, see circular airgram of April 12, p. 290.

make the broad decisions concerning the use of funds as between (*a*) military end-item assistance and economic support and (*b*) major political areas and that he should make these allocations to the operating agencies under procedure to be approved by the Bureau of the Budget. The MSA appropriates all funds to the President according to Titles with limited transferability among the Titles and in certain instances within each Title. Pursuant to this it is proposed that the following procedure for the review of programs and control of funds will be followed:

1. The operating agencies will prepare country economic and military aid programs for submission to ISAC for "review and coordination."
2. On the basis of the agreements reached in ISAC the operating agencies will prepare a financial plan and a supporting funding request for the accomplishment of the program.
3. ISAC shall recommend to the Secretary of State the approved programs together with supporting financial plans.
4. In accordance with existing procedures (Budget–Treasury Regulation No. 1) the Secretary of State shall consolidate such financial plans and submit to the Bureau of the Budget a request for apportionment of funds (Standard Form No. 131) for each appropriation.
5. A request for apportionment shall be justified by the appropriate operating agency with assistance from the Department of State.
6. The Bureau of the Budget shall make apportionments for each appropriation to the Secretary of State.
7. The Secretary of State shall allocate funds on the basis of apportionment made by the Budget Bureau and in accordance with funding requests submitted by the operating agency.
8. Each operating agency shall submit financial reports required by Budget–Treasury Regulation No. 1 to the State Department which shall prepare the necessary consolidation for submission to the Budget Bureau.

The above summary is based largely on the following documents which are attached for your further edification:

1. The President's letter of April 5, 1951, setting forth the general pattern of State–ECA relations for the program.
2. Mr. Foster's letter to the President of April 18.[3]
3. A letter from the Bureau of the Budget to the Secretary of Defense of April 24, 1951, clarifying the meaning of the part of the President's letter dealing with allocation of funds.[4]
4. An A/MS staff memorandum of April 27, outlining steps contemplated for program review and funds control.[5]
5. An A/MS staff memorandum of April 23, outlining formula for division of responsibility between State and ECA for economic assistance to underdeveloped areas.[6] This proposal is substantially the one agreed to by Mr. Webb after talking to Dr. Bennett.

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[3] *Ante*, p. 298.
[4] *Ante*, p. 305.
[5] Not printed.
[6] Not printed, but for documentation on the Point Four Program, see pp. 1641 ff.

800.00–FA/5–1551

*Memorandum by the Representative of the Department of Defense on the Executive Group on Foreign Aid (Lincoln) to the Under Secretary of State (Webb)*

CONFIDENTIAL [WASHINGTON,] May 15, 1951.

Here are the "Essential Points of Mutual Security Program", which I promised I would attempt to draft.

You suggested that some outline such as the attached might be the basis for discussion with Mr. Richards[1] this afternoon with the thought that we might want to learn more about the best method of approach to Senator George[2] and other members of Congress.

[Annex]

*Paper Prepared by the Representative of the Department of Defense on the Executive Group on Foreign Aid (Lincoln)*

CONFIDENTIAL [WASHINGTON,] 15 May 1951.

ESSENTIAL POINTS OF MUTUAL SECURITY PROGRAM

1. The Program relates and integrates practically all economic aid and military aid on a world-wide basis to attain the maximum security return for taxpayer's dollar. It is part of the U.S. preparedness program.

2. It is founded on experience, organization and authorizing legislation of ECA, MDAP and Act for International Development. It is to be stressed that ECA, with European recovery practically achieved a year ahead of schedule, is now to be directed in major part to economic support of increased military strength.

3. The program has been worked up in the form of four titles, each dealing with a geographic area—Europe, Middle East and Africa, Asia, and Latin America. There is a fifth title of general provisions, including U.N. contributions.

4. As reported to BOB, approximately three-quarters is arms aid; most of the remainder is ECA aid designed to make possible increased military effort and military production. A comparatively small proportion is Point IV type aid designed to help people to help themselves—thereby reducing political and social unrest while generating increased production.

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[1] Representative James P. Richards of South Carolina became Chairman of the House Committee on Foreign Affairs on May 15, succeeding John Kee of West Virginia who died on May 8.

[2] Senator Walter F. George of Georgia, Member of the Senate Foreign Relations Committee.

5. The Point IV funds are primarily to provide skilled advice and some demonstration equipment to help backward countries now trying to increase their productivity.

6. The great part of the funds for Asia are for support, either direct or indirect of forces opposing Communism—Thailand, Indo-China, Philippines, and principally Formosa. These countries do not have the industry to produce or money to buy the arms. Communist revolt and/or a heavy arms load creates a need for some economic aid.

7. The funds for Europe, including Greece and Turkey, are almost entirely for increased military strength to oppose Communism.

8. Funds for North Atlantic Treaty countries are programmed to be consistent with plans to support General Eisenhower's mission. These countries have the manpower; they can support the forces once raised. They can't produce the initial equipment unaided.

9. Some problems of the bill:

*a.* Tie-in between military plans, arms aid and economic aid;
*b.* How best to energize European military production;
*c.* Prior legislative history places Greek-Turkish economic aid in Title I and arms aid in Title II;
*d.* Tie-in between arms aid program, the military budget, and U.S. production programs;
*e.* Organization

(1) Point IV in State or ECA
(2) Coordination of program in Washington to assure that military, economic and political factors are tied together;

Note that the allocation responsibility given Secretary of State in 5 April letter is really limited to 5 per cent of funds in Title I—as bill is now drafted. This responsibility is really exercised in ISAC.
*f.* Handling of Germany, Spain and Yugoslavia.

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*Editorial Note*

On May 24, 1951, President Truman transmitted a message to Congress containing recommendations for a Mutual Security Program. For Fiscal Year 1952, the President recommended military assistance amounting to $6.25 billion ($5.24 billion for Europe) and economic assistance of $2.25 billion ($1.65 billion for Europe). The message reads in part as follows:

"This Mutual Security Program brings together our various foreign aid programs, including the arms aid of the Mutual Defense Assistance Program, economic assistance for Europe—now being directed primarily to support of rearmament—and our economic aid to underdeveloped areas under the Point 4 concept. Every one of these programs has proved its worth.

"In preparing the present recommendations, each of these separate programs has been revised in the light of the emergency situation that

exists in the world and the extraordinary demands that are being placed on our Nation. The amounts, the geographical areas, and the purposes of the aid have all been chosen in order to bring about the greatest possible increase in the security of the United States and the whole free world.

"Under this program, the United States will send tanks, guns, and planes to a number of free countries, in Europe and other parts of the world, which are building up armed forces against the threat of Communist attack. We will also send economic help to a number of countries—economic help ranging from machinery and materials with which to make weapons, to seeds, medicine, and technical assistance with which to conquer communism's allies of starvation and sickness."

The Mutual Security Program was to be administered under existing arrangements established by Congress in legislation authorizing previous military and economic assistance programs. The Department of Defense would continue to administer military aid, the Economic Cooperation Administration economic aid, and the Technical Cooperation Administration technical assistance. Coordinated policy guidance would be provided by the interdepartmental International Security Affairs Committee.

For the full text of the President's message, see *Public Papers of the Presidents of the United States: Harry S. Truman, 1951*, pages 302–313, or Department of State *Bulletin*, June 4, 1951, pages 883–890.

Pursuant to the President's message, the Executive Branch provided Congress with information and basic data on the proposed Mutual Security Program, including draft legislation. For text, see *The Mutual Security Program for Fiscal Year 1952: Basic Data Supplied by the Executive Branch*, Committee Print for the use of the House Committee on Foreign Affairs and the Senate Committee on Foreign Relations (Washington, Government Printing Office, 1951).

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700.5 MAP/5–2851

*Memorandum by the Under Secretary of State (Webb) to the President*

SECRET WASHINGTON, May 28, 1951.

Subject: Transfer of Fiscal Year 1951 Title I Funds in the Amount of $14,800,000 to Title II, and $75,489,107 [*79,489,107*] to Title III of the Mutual Defense Assistance Act, as Amended.[1]

The continuing review by the Department of Defense of the changing military situation in various theaters, in some of which hostilities are now going on, has revealed the necessity for undertaking immediately programs of increased military assistance to Indochina, Turkey, and Greece in the respective amounts of $79,489,107, $15,800,000,

[1] By letter of June 8 to the Secretary of State, President Truman approved the recommended transfer of funds (700.5 MAP/6–851).

and $2,000,000.[2] The increased program for Indochina, and most of that for Turkey, had been heretofore programmed for a later time. The increased Greek program had not been considered necessary under earlier conditions.

It is considered advisable to provide this increased aid immediately for the reasons set forth below.

*Indochina*

On June 27, 1950, you directed the acceleration of military assistance to the forces of France and the Associated States in Indochina.[3] This acceleration has been governed by the tactical requirements of our own forces and of another area holding a supply priority above that of Indochina, and by the growth of forces in Indochina which can use the equipment supplied them.

The operational needs of the French ground forces presently engaged in combat in the Tonkin area have increased urgently and unexpectedly for certain categories of equipment and ammunition. To meet these needs there is required $49,520,000.

The activation of native forces in Indochina during calendar year 1951 has increased faster than anticipated. To provide equipment for these forces, for which funds have not been made available previously, there is required $10,659,107.

To provide the French forces in Indochina with twenty-three landing craft and six picket craft, which, because of accelerated requirements due to increased operational needs should be delivered earlier than previously contemplated, there is required $7,000,000.

The French have urgently requested a B–26 light bomber squadron to bolster forces campaigning against the Viet Minh. To achieve the greatest effectiveness this year, these aircraft should be delivered in time for use during the winter dry season. $12,300,000 is required for this program.

*Turkey*

To advance the delivery date of a submarine tender needed to increase the mobility of the Turkish submarine fleet previously furnished by the U.S., there is required $8,000,000.

To provide common use items urgently needed to support increases in the Turkish armed forces, there is required $7,800,000. It was previously contemplated that these items would be paid for with ECA Fiscal Year 1951 funds. The Bureau of the Budget has recently determined, however, that they are properly chargeable to Mutual Defense Assistance Funds.

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[2] For documentation on U.S. policy with respect to Indochina, including material on military assistance, see vol. VI, Part 1, pp. 332 ff.; documentation on U.S. relations with Greece and Turkey appears in volume V.

[3] For documentation on U.S. policy with respect to Indochina during 1950, including material on military assistance, see *Foreign Relations*, 1950, vol. VI, pp. 690 ff.

*Greece*

To provide a portion of the harbor defense equipment for Souda Bay Crete, recently set by CINCNELM as the highest priority for Greece, and upon which long production lead-times require the earliest implementation, there is required $2,000,000.

The foregoing programs total $79,489,107 for Title III, and $17,800,000 for Title II. There are $4,000,000 available in Title III Fiscal Year 1951 unprogrammed funds. There are $3,000,000 available in Title II Fiscal Year 1950 and 1951 unprogrammed funds. To secure the balance required to meet the programs proposed above, the Departments of State and Defense recommend that, by signing the memorandum attached as Annex A,[4] you transfer from funds appropriated for use in accordance with Title I of the MDA Act, as amended, $75,489,107 to Title III (appropriation symbol 1110049) and $14,800,000 to Title II (appropriation symbol 1110046). Such a transfer is authorized by Section 408(*c*) of the Act, as amended.

Although, as a general rule, it is considered undesirable to divert any significant amount of funds from their intended use in Europe, it is believed desirable to do so in this instance.

The long-term objective of assisting the creation of an integrated military force of the North Atlantic Treaty powers (Title I) involves the transfer of large amounts of complex new equipment (having in many cases long production lead-times) coordinated with the provision of assistance to increase indigenous military production. These measures must all be carefully coordinated with expanding European mobilization programs. This concept differs from that governing military assistance to the Far East and to a lesser extent from that governing military assistance to the Middle East. The military situation in Asia ranges from full scale combat operations in Korea and Indochina, through the threat of invasion in Formosa, to minor police action in other countries.

Pressure from the North on the Near East is relentless. The threat of a limited, Soviet-inspired, satellite attack along North Korean lines is ever present in that area.

Accordingly, the needs of these areas, unlike Europe's, are largely for individual items or installations required for immediate and specific operational purposes.

In the present case, therefore, it is believed that the temporary diversion of a relatively small amount of funds from use in Europe to use in the Far and Middle East will not seriously affect the build-up of European defenses. This is so partly because of the short-term unavailability of many of the items required by our European partners. On the other hand, the situation in the Far and Middle East and the nature of the items required to meet these situations are such that it

[4] Not printed.

is greatly in our interest to fill immediately the programs here proposed.

It is recommended that you allocate $79,489,107 out of appropriation symbol 1110049 to the Department of Defense for use under Section 303. All the funds transferred to Titles II and III will be used to implement the above programs, subject to refinements to be approved by the Director, International Security Affairs. The Department of Defense (and the ECA in the case of the program of common-use items for Turkey) will prepare and submit fiscal and supply reports on these programs to the Department of State, under procedures approved by the International Security Affairs Committee.

Section 408(*c*) of the Act, as amended, also provides that notice of any action thereunder shall be given by the President to the Committee on Foreign Relations of the Senate, the Committee on Armed Services of the Senate and the House, and the Committee on Foreign Affairs of the House.

I have attached as Annex B [5] a copy of a draft letter on this matter which I recommend you transmit to the interested Chairmen.

JAMES E. WEBB

[5] Not printed.

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ISAC Files, Lot 53 D 443 [1]

*Memorandum by the Foreign Supplies and Requirements Committee* [2]

RESTRICTED WASHINGTON, June 6, 1951.

FSRC Doc. 6

FOREIGN ECONOMIC DEVELOPMENT PROJECTS AND PROGRAMS

Any determination of which foreign development projects or programs contribute sufficiently to U.S. policy objectives* to warrant sup-

[1] Basic collection of documents, action summaries, memoranda of meetings, and related records of the International Security Affairs Committee (ISAC), 1951, retired by the Executive Secretariat of the Department of State.

[2] The Committee on Foreign Supplies and Requirements was established on January 1, 1951, to advise the Director of Defense Mobilization regarding foreign requirements for supplies produced in the United States and U.S. requirements for supplies from foreign sources. William C. Foster, Administrator of the Economic Cooperation Administration, was Chairman of the Committee; Willard L. Thorp, Assistant Secretary for Economic Affairs represented the Department of State. Other agencies represented included the Departments of Defense, Treasury, Interior, Agriculture, Commerce, and Labor; the Defense Production Administration; the Economic Stabilization Agency; the Export-Import Bank; and the office of W. Averell Harriman, Special Assistant to the President.

This memorandum was circulated in the International Security Affairs Committee as document ISAC D-3/8, June 11, with the notation that it contained the basic policy guidance for agencies interested in sponsoring or examining foreign economic programs or projects.

*See Annex A [Footnote in the source text. Annex A, containing extracts from public statements by President Truman on foreign aid, is not printed.]

port in the form of government priority or directive assistance, must necessarily be flexible as supply conditions change and as actual experience accumulates. Sound appraisal of each project's contribution is especially important so long as the U.S. mobilization plan utilizes only a single rather than multiple dividing lines to determine essentiality in terms of priority assistance.

The following discussion and statement of policy guides applies to foreign projects or programs regardless of whether they are financed abroad or in the U.S. by government loan or grant, by the IBRD, or by private enterprise.

Two general groups of considerations should be taken into account in the formation of policy, as follows:

(1) Considerations affecting decisions on the basic need of foreign projects for U.S. support and assistance:

(*a*) The paramount consideration should always be the contribution of a particular development project toward the stated general United States policy of providing for the maximum strength and security of the free world.

(*b*) Projects for increasing foreign production, whether entirely new or expansions of existing facilities, may frequently depend for their effectiveness (unlike the normal situation in the United States) upon simultaneous expansion of power, transport, communication and other supporting facilities, such as health, education and sanitation.

(*c*) Many nations have been dependent in recent past years on varying amounts of essential U.S. products, and chronically have suffered deficit balances of dollar payments. In many such cases, they have required U.S. economic assistance. Therefore, foreign development projects which can result in more exports and more self-support can make a permanent contribution to an expanding world economy in the long run, as well as a present contribution of materials for the common mobilization effort.

(*d*) Projects in friendly foreign countries may be of direct value in reducing the dependence of themselves and other friendly countries upon supplies from Soviet-bloc sources.

(*e*) The natural tendency is for most American producers of equipment and supplies for projects, in periods of shortage, to favor their established customers.

(*f*) There is a real value to the United States, and to the free nations collectively, in maintaining the long-run political and psychological advantages of the Point IV Program, which would be jeopardized if long-term development programs abroad were to cease for want of materials and equipment. Individual projects may in addition make particular contributions to political stability, internal resistance to subversion, and to short-run economic improvement leading to higher living standards.

(2) Considerations affecting decisions on the degree and extent of priority or directive assistance needed in individual cases:

(*a*) Some projects require assistance for only a minor portion of their total needs of short-supply items, either because the projects

have already received substantial deliveries or because requirements have been or will be available from non-U.S. sources. Such requirements thus have a special degree of importance.

(*b*) Failure to complete foreign projects already under construction could be wasteful of materials and potential production. There may be cases in which a speeding up or redirection of projects would be wiser than a "start from scratch" elsewhere. Or, conversely, results in terms of actual production may be obtainable much more slowly from some proposed foreign undertakings than from a similar expenditure in the United States or in another country.

(*c*) Certain short supply items of equipment may be obtainable, for use in foreign projects, from foreign sources without interference with other equally essential demands. Such use may or may not be desirable, in the light of the guiding principle that all facilities within the free nations for producing critically needed types of equipment should, to the fullest extent feasible, be used first for the most essential purposes. The fact that there is financing or ownership by American agencies of a particular project should not affect the choice of sources of supply for needed equipment or materials.

(*d*) Although in general the contribution of a project to free world strength is the basic criterion, and not the particular sponsorship or ownership of a project, there may be cases where ownership, beneficiaries, or sources of financing may be of such nature as to be undesirable in terms of the best interests of the United States and/or of those nations actively associated with the United States in common defense planning. A careful preliminary check with the proper governmental agencies will avoid a frontal issue when a project is being given formal review.

(*e*) Other considerations which will apply in varying degree to particular projects include:

(i) the indirect contribution of a given project to defensive military strength;

(ii) the degree of political and transport risks involved in the location of the project;

(iii) the special importance of increased agricultural production in particular areas;

(iv) the efficacy of controls over the outflow of materials or products to Soviet-bloc countries in the particular nation or area where the project is to be located.

*Preliminary Determination of Scope of Assistance*

A peculiar problem arises in cases where a decision to finance, or not to finance, a given project is to be reached by an American governmental agency, by American private financing agencies, or by American corporations. The decision itself may in some cases turn on the likelihood that needed priority or directive assistance will in fact be obtainable when a subsequent formal presentation is made. Therefore, a careful preliminary survey is of great importance in order to determine whether the project will qualify under the general standards indirected [*indicated*] herein and to be explicitly applied by the operating agencies concerned.

There is a second danger to be avoided in the making of financing commitments before the scope of assistance is finally determined. Regrettably, foreign governments or other sponsors of development projects have in the past interpreted a decision by American agencies to extend financial assistance as an irrevocable decision to supply the needed materials and equipment from American sources. The preliminary survey indicated above should minimize the number of cases of embarrassment and ill-will resulting when assistance in obtaining equipment is, rightly, not forthcoming for an already-financed project.

*Policy Guides*

In setting forth the following general policy guides to be followed by all United States government agencies dealing with foreign economic development projects, no effort is made to formulate or to repeat similar standards of essentiality and other tests to be applied to domestic American projects. Nor is it the intention to specify assistance for foreign projects differing from that available for, or accorded to, domestic projects of equal essentiality, except where peculiar circumstances encountered in meeting foreign needs may make it necessary. Adequate procedures are available within the mobilization agencies to provide review in the same forum of foreign and domestic projects, and to provide for the maintenance and operating requirements of existing foreign enterprises which are essential in a sound economy.

The policy guides to be applied by the agencies concerned are as follows:

(1) Foreign development projects shall be generally supported and facilitated in a manner conforming to the general policy laid down in the statement of Foreign Allocations Policy approved by this committee.

(2) After a critical examination utilizing the considerations and standards indicated above, and parallel with the current examination of similarly essential domestic projects, priority and/or directive assistance equally effective with that currently available to highly essential domestic projects shall be provided for foreign development projects (either new, or expansions of existing facilities) if they will result in:

(*a*) direct military production of friendly nations, as required within the limits of military objectives to which the United States has agreed, including the time-phasing, the location of facilities, and the beneficiaries of the planned production;

(*b*) essential support for the military production described in (*a*);

(*c*) production, or required support for production, of highly essential materials or products which are, or are expected to be, in critically short world supply;

(*d*) production of clearly essential products or services for the civilian economy of friendly nations, but assistance shall be confined to those cases where it is needed only for procurement of a minor portion of the total quantity of short supply items.

(3) Projects other than those described in paragraph (2) which will, (*a*) expand essential civilian services or facilities, particularly those which form part of a long-term development program, (*b*) reduce future dependence upon military or economic assistance by the United States, (*c*) reduce future dependence upon Soviet-bloc sources of supply, or (*d*) help to prevent political deterioration in nations or areas essential to free world strength, shall be given needed priority or directive assistance providing that a critical examination and an investigation of domestic producers' schedules show that such action will not interfere with military production, defense-supporting production, or with projects for expanding output of critical materials.

(4) In determining the form and extent of priority assistance required for foreign projects, account should be taken of the possible reluctance of domestic producers, during periods of shortage, to fill foreign orders at the expense of established domestic customers unless clearly directed to do so.

(5) The nature and objectives of a project, and not the source of financing nor the ultimate owners and beneficiaries within the free world will ordinarily be the tests by which to determine essentiality and the need for assistance; but the particular circumstances of ownership or sources of equity financing, and the likely beneficiaries of resulting production or service must be examined, and should be of such nature as to promote the current over-all diplomatic and military objectives of the United States or those of nations closely allied with the United States in common defense planning.

(6) The United States should promote by all practicable means the adoption of criteria similar to the foregoing by friendly foreign industrialized countries capable of supplying equipment and products for economic development projects and programs, and the exchange of information relating thereto with the United States through appropriate channels.

549-782—79——22

Under Secretary's Meetings, Lot 53 D 250

*Record of the Under Secretary's Meeting, Department of State, June 22, 1951, 10:15 a. m.*

SECRET

UM N-360

*Progress Report on MDAP*[1]

1. Mr. Bell[2] explained that MDAP has been in existence for about two years. However, it was almost the first of 1950 before the program actually began to operate. We have had three appropriations during fiscal years 1950 and 1951. The first was $1.3 billion, the second $1.1 billion, and the supplemental appropriation was $4 billion. All but $500 million has been obligated. The program has been primarily grant aid, including end-items, training, and aid to production. The end item program has been divided among EUR, FE, and NEA. For Europe, or Title I, $4.6 billion has been programmed and $½ billion has been programmed from excess. Of the $5.1 billion, 65 percent has been obligated as of April 30, and $600 million has been shipped. The recipients have been Belgium, Denmark, France, Italy, Luxemburg, Netherlands, Norway, Portugal, and the UK. Included in this program has been money for the Yugoslav food program and for the development of three stockpiles for Austria, Germany, and Yugoslavia. Title II includes Greece, Turkey, and Iran. $495 million has been programmed, with the addition of $48 million from excess. Of the $543 million, 63 percent has been obligated as of April 30, and $125 million has been shipped. Title III includes Korea, Philippines, Burma, Indochina, Indonesia, Formosa, and Thailand. $562 million has been programmed plus $25 million from excess. Of the $587 million, 45 percent has been obligated as of April 30 and $121 million shipped as of that time. $56 million has been obligated for four special projects. All but $25 million of this amount has been programmed and this will be handled this week.

2. Mr. Bell explained that 17,500 officers and enlisted men have been trained or are in training, including 5,000 officers and 12,500 enlisted men. About 5,000 men have been trained overseas and 12,500 men in this country. As between titles, 13,500 from Title I countries have been trained; 2,936 from Title II; and 1,180 from Title III. As between the services, 5,298 have been trained for the Army; 8,326 for the Navy; and 3,861 for the Air Force. The Army and Air Force figures will probably increase in the future.

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[1] Additional information on MDAP operations is contained in the four semi-annual reports by the President to Congress covering the period October 6, 1949–October 9, 1951; see *Report to Congress on the Mutual Defense Assistance Program* (Semi-annual) (Washington, Government Printing Office, 1950–1952).

[2] John O. Bell, Assistant Director for Program Management, Office of International Security Affairs.

3. On the economic side, Mr. Bell explained that we over-anticipated our needs. Approximately $230 million has been programmed and will be obligated by June 30 for Belgium, Luxemburg, Denmark, France, Italy, Netherlands, Norway, and the UK.

4. With respect to reimbursable aid, 43 countries have been given such aid, and 530 requests for such aid have been requested. $171 million sales have been made and $368 million are in process. The bulk of the aid has been given to Canada.

5. Mr. Bell explained that during the past six months, we have worked very closely with ECA on economic aid. We have handled European countries as a single package. This approach has made our negotiating position much more effective. We have made some efforts to relate economic aid to the increase in production in the individual countries. Mr. Bell explained that we have attempted to give assistance to countries requiring imports for their defense effort. In other words, we have attempted to get adequate priority treatment for certain countries. We have also attempted to refine the economies of some of our operations. For example, we have set up two depots to serve as common overhaul bases which have saved the U.S. Government $200 million. We have also made some contribution to the expansion of plants in the United States. Mr. Bell explained that we are attempting to resolve the problem of buying military equipment in Europe, but so far no substantial volume has been produced by these efforts.

6. Mr. Bell stated that the forecasts for delivery had to be taken with many reservations, depending upon Korea, production, etc. The 1950 program should be delivered by June 30, 1951; the 1951 program should be delivered by June 30, 1952; and the 1952 program may be delivered by the end of 1952. We have worked with the military, and we have been assured that 7 percent of the Army items will be given to MDAP and 30 percent of Air Force items. Of course, this percentage will vary among the individual items. Mr. Bell explained that the Defense Department is giving MDAP a concurrent priority with Korea.

7. In response to a question by Mr. Webb, Mr. Bell explained that the slowness of delivery in the initial stages of the program was serious. However, recent deliveries have had a definite impact, especially on the morale of foreign troops. The upswing in deliveries should continue to have a favorable impression upon the countries involved.

8. Mr. Rusk asked whether it was possible or necessary to have some inter-governmental action to control trade in arms. Mr. Bell explained that there is a general system in Europe whereby governments will check with the Defense Production Board of NATO to see whether countries need military equipment which is in excess in a given country. However, basically, the problem is inadequate government control.

9. Mr. McFall[3] pointed out that congressmen are worried about the lag in the delivery of equipment. He suggested that we be prepared to explain the lead-time required for deliveries and the reason for certain lags. He also suggested that it might be wise to put pressure on the North Atlantic Council to develop a method of clearing defense budgets through NATO. He felt that if we could develop such a plan, which would be similar to EPU, this would affect the reaction of the Congress to the program. Mr. Martin[4] pointed out that the sales of military equipment are now cleared through EPU. The basic problem is one of availability of money which makes the countries disinclined to procure outside of their own economies. Mr. Nitze pointed out that the Europeans are putting up a large share of the manpower which places a severe burden on their defense budgets and makes them have less money available for procuring military equipment. Mr. Bell pointed out that we would not be reluctant to have the defense budgets go up insofar as the manpower problem is concerned. For example, the pay scale for officers and noncommissioned officers in France is so low now that it is difficult to recruit a good force.

10. Mr. Webb asked whether our problems within the Government on this program were working out satisfactorily, including adequate machinery and organization for executing the program. Mr. Bell explained that our relationship with the military on end-items has been good. He believed that the amount of detail which we were requiring was excessive but this is now being changed. The economic side is more difficult since we are dealing with a poorly defined area. However, now we are approaching a rational distribution of functions and our desire is not to go into detail with ECA. However, we can not dissipate our bargaining power with countries involved in the MDAP program. Mr. Webb asked how our relations were with other countries and whether it would be to our advantage to develop a multilateral distribution system for the aid. Mr. Bell explained that we are moving rapidly toward a multilateral distribution system for economic aid but no definite agreement has been reached on the military side. Mr. Webb pointed out that we need to develop a strong U.S. overseas team so that they could do a large share of the job abroad. In effect, he was suggesting that we decentralize as much of the program and operations as we can with adequate backstopping in Washington. Mr. Bell stated that we were attempting to move in this direction. Mr. Martin added that Defense has been reluctant to delegate or decentralize powers to responsible officers overseas.

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[3] Jack K. McFall, Assistant Secretary of State for Congressional Relations.
[4] Edwin M. Martin, Director of the Office of European Regional Affairs.

ISAC Files, Lot 53 D 443

*Summary of Events Prepared in the Office of the Director of International Security Affairs (Cabot)*[1]

SECRET [WASHINGTON,] June 23, 1951.

CURRENT DEVELOPMENTS IN INTERNATIONAL SECURITY AFFAIRS

[Here follows discussion of subjects other than the Mutual Security Program.]

THE MUTUAL SECURITY PROGRAM

The Mutual Security Program for Fiscal Year 1952 recommended by the President in his message to Congress of May 24,[2] brings together the various existing foreign aid programs, including MDAP, ECA assistance for Europe, and economic aid to underdeveloped areas under the Point IV concept. The total funds required under the MSP would be divided as follows:

| | *Economic* | *Military* |
|---|---|---|
| | (in millions) | |
| Europe | 1,650 | 5,240 |
| Middle East and Northern Africa | 125 | 415 |
| Asia | 375 | 555 |
| Latin America | 22 | 40 |
| Administrative Expenses | 78 | |
| | 2,250 | 6,250 |

The military aid for Greece and Turkey is included in the amount for the Middle East. The amount of the economic aid for Europe includes the economic aid for Greece and Turkey. For convenience, the estimated requirement for administrative expenses for the entire program—approximately $78 million—is shown as a single figure under economic aid.

The amounts requested for economic aid include $13 million to be furnished the United Nations and the Organization of American States for their technical assistance programs.

The President also recommended that the lending authority of the Export-Import Bank be increased by one billion dollars in order that full use might be made of the opportunities for loans, especially to develop strategic materials.

No administration bill covering the program is being officially transmitted to the Congress. However, a draft of a suggested Mutual Security Bill proposes, and the Administration is recommending that the new legislation provide that the aid requested should be furnished under the basic authority contained in those other laws under

[1] Circulated for information as ISA News Letter No. 2.
[2] See editorial note, p. 317.

which foreign assistance has heretofore been made available. It is also proposed, however, that there be several amendments to these underlying acts, among which the following are the most important:

1. All forms of economic aid, including economic aid directly related to increased production abroad, would be included in the economic aid figure, and no sums for additional military production (AMP) would be included, as in the past, in the amount for military aid. This means that under the new Bill, it would be possible for funds to be made available under the ECA Act to be expended for objects which are prohibited under the MDA Act, namely, for construction of foreign factories or the provision of equipment, other than production equipment, for maintenance of such factories, for compensation for any country for diminution of export trade resulting from increased military production, or to pay for personal services rendered in any such factory other than U.S. technical assistance.

2. The authority to provide military aid to non-NATO European countries, which is contained in 408(*c*) of the MDA Act, is considerably broadened and made simpler of administration. Similarly, authority is provided to extend economic aid to non-OEEC countries under certain circumstances. Spain and Yugoslavia are thus added to the European countries presently eligible for economic assistance. Limited transferability between funds available for use under the MDA Act and funds available under the ECA Act is also sought.

3. Authorization is provided, upon certain prior determination of the President, for the transfer of military grant aid to countries of the Near Eastern area of up to 10% of the funds made available for military assistance to Greece, Turkey and Iran.

4. A program of up to $40 million in military grant aid to Latin American countries is authorized.

5. Up to 10% of the funds made available for use in one area under one Title of the Act can be transferred for use in any one of the other areas covered by another Title of the Act. However, funds so transferred may not be used to furnish any kind of assistance except the kind authorized to be furnished in the section from which the funds were transferred.

6. The use of Title I funds for paying the expenses of U.S. participation in NATO, including the U.S. contribution toward the expenses of SHAPE, would be authorized.

7. Contributions to the UN and Organization of American States for technical assistance programs carried out by those agencies, continuing the authority contained in the Act for International Development, would also be authorized.

8. An appropriation for the U.S. contribution to the UN Korean Reconstruction Agency (UNKRA) would be authorized. The amount of the U.S. share is $162,500,000.

9. The provision of an additional $450 million worth of excess military equipment and materials would be permitted. With this amendment, the amount of excess equipment which may be transferred without change to the MDAP appropriations would reach a cumulative total of $1,150,000,000.

10. The value of outstanding, unfunded procurement contracts which may be outstanding at any one time under the reimbursable aid program would be raised from $100 million to $500 million.

11. Certain amendments to facilitate the use of patents and technical information are also proposed.

(For further details on the MSP, see the "Presentation Book", which has been sent to all missions.)

It is expected that hearings on the Mutual Security Bill will start on June 26 in the House Committee on Foreign Affairs, after certain of the Committee members have returned from their trip to Europe. Hearings before the Senate Committee on Foreign Relations and Armed Services combined are not expected to commence until after the MacArthur hearings are over.

Since the preparation of the presentation material for the MSP is virtually complete, the interdepartmental "Executive Group" which coordinated this work has been dissolved and Colonel Bonesteel, its Director, is returning to his regular post in London. Mr. Cabot, Director of ISA, from now on will be responsible within the State Department for direction of the presentation of the MSP to Congress, and for coordinating the work of the Department with that of other agencies in the presentation.[3]

Since the enactment of the MSP will probably be delayed for several months, the Bureau of the Budget is making plans for interim legislation. It is hoped that a joint House–Senate resolution will be enacted to extend the authority to commit funds under existing legislation not exceeding an amount at the annual rate at which funds have been obligated under the several acts during the last quarter of Fiscal Year 1951.

[Here follows discussion of other subjects.]

## ORGANIZATION

### *U.S. Organization for Administering the Mutual Security Program*

The following is the text of a memorandum forwarded by the Director of International Security Affairs to Congressman McCormack[4] on the organizational plans for the Mutual Security Program.

June 11, 1951.

"A number of recent reports have suggested changes in the organization needed to administer foreign aid. Various organizational schemes have been proposed. The plan of organization adopted pursuant to memorandum approved by the President on December 19, 1950[5] and contemplated by the new proposed Mutual Security Program seems most likely to achieve over-all objectives of foreign policy at minimum cost.

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[3] Executive Branch organization for the presentation of the Mutual Security Program to Congress was set forth in Department of State Announcement 125, effective June 13; for text, see Department of State *Bulletin*, July 9, 1951, p. 53.

[4] Representative John W. McCormack of Massachusetts, House Majority Leader.

[5] See editorial note, p. 265.

"It is generally recognized, and past experience has certainly demonstrated, that the actual operation of either military or economic aid—the mechanics of laying out a detailed program, of procurement or the financing of procurement, and the follow-up on the use made of the aid—is a specialized job that requires a specially equipped operating agency which can give full attention to it. Determination of arms needs is a military determination and must be done by military men. Arms procurement and military training are also jobs for military men. These should be the primary responsibility of the Department of Defense, as they have been under previous military aid programs. Similarly, the ECA has done a very commendable job in carrying out the Marshall Plan. It has an effective team trained in economic and production problems and has a great fund of information on European production capacities. To lose or impair the usefulness of this team would set back the effectiveness of the economic aid portion of the Mutual Security Program by many months.

"The basic problem of organization is how to tie together military aid and economic aid so that they will complement each other in operation and give most effective support to our total foreign policy. The primary objective of military aid is to arm and train the forces of friendly nations. Military aid has been the responsibility of the Departments of Defense and State. The primary objective of economic aid has been to prevent economic collapse and acceptance of Communism. Economic aid has been the responsibility of ECA. Now most economic aid will be directed toward the objective of increased military production.

"Increased European military production is of great importance to the American taxpayer. This increase is unlikely if the policy of eliminating from arms aid those items which can, within a reasonable time, be produced in the recipient country is not enforced. No country is likely to go to the trouble and expense of producing what it can get from us free of charge. Therefore, when the arms requirements of a country have been determined, they are screened so we will not furnish items which can be produced either in the recipient country or a neighboring country. When necessary, economic aid is adjusted to help the recipient carry the added burden of producing, or buying from its neighbor, items screened from the military aid program. It is evident that we cannot carry out this policy and get countries to build up their own production unless the arms and economic aid programs are coordinated. The logical place for coordination responsibility is in the Department of State where the two programs meet and where each respectively must of necessity be coordinated with the overall foreign policy of the Government.

"The need for either military aid or economic aid depends on the role a country is expected to play in the mutual security plans, the size

of the forces it should maintain, the mission of these forces and the political and economic factors which condition its efforts. Judgment cannot be made solely on military or economic or political grounds. It must embrace all of these. It must be a composite judgment to which the Defense Department, the State Department and the ECA all contribute.

"Foreign aid must also be judged in relation to other instruments of our foreign policy. All aid can be useful in determining the courses recipient governments will take toward mutual security, including larger defense budgets, forces and production. While aid of course is extended without strings attached, the U.S. does take into account the willingness of other governments to make their own contributions to mutual defense. These contributions take many forms in the economic, political, and military field—not all directly related to the mutual aid program. We must use our total power, including our aid programs, effectively and avoid exhausting it on objectives of low priority. To do this, our negotiations must be coordinated so that all aspects of our relations with the recipient country harmonize with and contribute to the general foreign policy objectives, particularly in the international security field. Often our aid programs are in large part designed to supply the United States' contribution to the collective security effort, the nature of which is determined through multilateral negotiations in NATO or some other international body.

"Although the total of aid is used for the total of our objectives, one cannot first determine the total and then divide it between military and economic aid, for economic and military aid needs are determined by entirely different processes and have different significance. Primarily, the process of determining military aid is to determine what arms are needed for the forces committed to our mutual security and when these arms will be needed. The timing of appropriation and obligation of funds for arms is different from the timing of deliveries of arms. This is due to variable time between placing the order and getting delivery of items of varying complexity. It is thus not feasible to allocate arms aid at the time of obligation in the same manner as with economic aid.

"Military aid and economic aid have a quite different significance per dollar. In fact, we do not tell recipients the dollar value of military aid. Some items from surplus are valued at a small fraction of the cost of similar items from new procurement. To bargain with military aid on a dollar basis would jeopardize our whole security program. We cannot afford to deny weapons to forces which desperately need those weapons. To do so would sacrifice our own security.

"Military aid and economic aid must be considered separately but related each to the other. A composite judgment is necessary to get maximum effectiveness in support of national policy. Although the

Department of State will be charged with the responsibility for coordination of aid under the proposed Mutual Security Program, this does not imply direct control. It is expected that aid will be coordinated through the International Security Affairs Committee on which the three agencies—Defense, State, and ECA—will be represented (also Treasury and Mr. Harriman's office). Agreement in this Committee must be unanimous. Failing agreement, matters can be referred to the Cabinet level (Foreign Mutual Aid Steering Committee), or to the President. Actually, experience of the last four months has shown a remarkable degree of unanimity in the Committee. The Chairman has, in fact, been able to resolve all problems submitted to the Committee without reference to the President."

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Secretary's Memoranda, Lot 53 D 444

*Memorandum of Telephone Conversation, by the Personal Assistant to the Secretary of State (Evans)*

CONFIDENTIAL [WASHINGTON,] June 27, 1951.

Participants—Secretary Acheson
Mr. William Foster, ECA

The Secretary telephoned Mr. Foster to discuss the handling of ECA in his testimony before the House Foreign Affairs Committee on the Foreign Aid Bill.[1]

The Secretary said he thought we should not fight to not have ECA wound up. He thought he should follow the lead of the President's message and the draft bill, and what he should say was that the President has suggested that the method of dealing with the question of ending or continuing ECA should be the one which permits the least dislocation. The President's recommendations allow the Committee to go into the whole question, consider the various alternatives, and make up its own mind; the original idea of ECA can be adhered to or changed. The Secretary said he thought it was bad to have rumors about what the Committee is going to do. There is now a fine, going concern, and, if there is a lot of talk about what is going to happen to it before the Committee makes up its mind, the whole ECA admin-

[1] The House Committee on Foreign Affairs held hearings on the Mutual Security Program between June 26 and July 31. Secretary of State Acheson testified on June 26, 27, and 28, followed by Secretary of Defense Marshall (June 29 and July 2), W. Averell Harriman, Special Assistant to the President (July 3), and ECA Administrator Foster (July 10–11). Numerous additional administration witnesses as well as other individuals appeared during the course of the proceedings. For the record of testimony, see *Mutual Security Program: Hearings before the Committee on Foreign Affairs, United States House of Representatives* (82d Cong., 1st sess.). The text of Secretary Acheson's prepared statement of June 26 also appears in Department of State *Bulletin*, July 9, 1951, pp. 46–52.

istration will be unsettled. The Committee should be able to make up its minds, without rumors, and then take the action it determines upon.

Mr. Foster said he thought that was right, and he agreed that the more talk there was, the more difficulties ECA would have. He suggested that the Secretary might be able to lean a little more heavily on the advantages of keeping the going concern of ECA in being than he, Mr. Foster, could. He thought he should be almost neutral, although his personal judgment was that it is better to go on with ECA, since by doing so, less momentum would be lost. He thought the Committee would probably come out with that judgment.

The Secretary again said he thought that care should be taken not to be too blatantly insistent that ECA should not be ended; for he thought that would be the surest way of bringing the Committee to the decision to end it. Mr. Foster said he was quite certain that was true.

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700.5 MSP/7–1751

*Memorandum by the Director of International Security Affairs (Cabot) to the Secretary of State*

TOP SECRET [WASHINGTON,] July 17, 1951.

Subject: Mutual Security Program Appropriations

*Problem*

The problem of what Mutual Security Program (MSP) funds we should request for Fiscal Year 1953 can be approached from three directions: (A) requirements; (B) availability of military equipment, raw materials, etc., which will determine our ability effectively to utilize funds, and (C) political atmosphere which will influence our ability to get appropriations. Obviously, (B) and (C) will depend very largely on the sense of urgency which prevails and this in turn will depend on the course of events and especially Soviet hostile acts and threats.

*Discussion*

A. Requirements

We base our estimates for Western Europe on the recent studies of the feasibility of meeting the Medium Term Defense Plan (ISAC Document 4/7a)[1] which you discussed with the President. Those studies indicate that a major step-up in the procurement of military equipment should occur in Fiscal Year 1953. We estimate that about $9 to $13 billion should be used by us to procure military equipment in the United States and Europe in that year for European NATO

[1] For an extract from document ISAC D–4/7a, "Scope, Duration and Feasibility of the NATO Medium Term Defense Plan," June 20, 1951, see vol. III, p. 193.

countries and Western Germany and perhaps another $1.5 billion for non-NATO countries, including about $500 million for Spain and Yugoslavia.

These estimates for the European NATO countries assume that about the same magnitude of procurement will be required in Fiscal Year 1954 and that the time needed to produce and deliver military equipment in that year will be 12 months. If we decide to take more drastic steps to ensure meeting MTDP requirements on the target date, a portion of the Fiscal Year 1954 funding should be brought forward to Fiscal Year 1953 to get production under way in that year so deliveries can be effected in Fiscal Year 1954.

In addition to the $10.5 to $14.5 billion needed for equipment procurement in Fiscal Year 1953, economic aid requirements are estimated at $2.5 billion, of which almost $2.0 billion is needed for Western Europe, including Greece, Turkey, Spain and Yugoslavia. No difficulty is anticipated in effectively utilizing these funds.

B. Ability Effectively to Obligate Funds.

The rate at which we can effectively obligate MSP funds to meet the requirements depends on the needs for our own forces and the total production of military equipment, which, in turn, depends on the scope and timing of industrial mobilization.[2]

Although the Department of Defense has not committed itself as to its Fiscal Year 1953 requirements, it was originally understood that funds already appropriated plus those currently requested for Fiscal Year 1952 would be adequate to meet major equipment and construction requirements for the build-up of United States forces, with the exceptions of war reserves and of Air Force requirements, which are currently based on a strength of 95 wings. Procurement and production scheduling called for meeting the major portion of these requirements before the end of Calendar Year 1952; again with the two exceptions noted above. These estimates, however, are not in consonance with recent talks we have had with Messrs. Lovett and McNeil [3] which indicated higher total requirements for our own forces than current requests would indicate.

Consequently, if the United States Services do not increase their force strengths above present plans or increase their requirements for war reserves, presently planned industrial mobilization targets will be adequate, on the average, to meet promptly and in full MSP requirements after December, 1952.

There are elements of indeterminacy, however, as to the timing and degree of industrial mobilization in the United States:

First, the Department of Defense will probably not have firm schedules of procurement for the bulk of its Fiscal Year 1952 funds

[2] For information on United States defense mobilization efforts, see pp. 1 ff.
[3] Wilfred J. McNeil, Assistant Secretary of Defense (Comptroller).

until September, 1951 at the earliest. Until this information is available, it will not be possible to make decisions on the build-up of military production in the United States.

Second, some time before the end of this Calendar Year, decisions will have to be reached as to the rate of military production expansion. At the present time military production in the United States has reached the rate of almost 1.5 billion dollars a month and by June, 1952, the delivery rate on military production is scheduled to rise to 4 billion dollars a month. A decision will have to be made as to what point production will level off so that United States industrial facilities can be operated in a state of readiness for prompt mobilization under war conditions. There is a conflict between the need for accelerated efforts to produce military equipment between now and December, 1952 and the longer term need of maintaining industrial facilities in a state of readiness for war mobilization.

Third, with the growing possibilities of a truce in Korea, we must reckon with the inevitable tendency toward a slack-off in mobilization efforts. This tendency will first take the form of seeking to reduce the targets and to postpone the dates for planned arrival at those targets. This third factor is by far the most significant factor in any determination as to the capabilities of the United States economy to meet both United States mobilization and MSP requirements in Fiscal Year 1953.

So far as MSP is concerned, there are factors to compensate partially for a tendency of slack-off in United States defense production. If a Korean truce is obtained, the rate of consumption of United States military equipment will decline. These savings in equipment, however, have already been largely discounted in the planning of requirements for United States military forces. Second, the Department of Defense may be willing to take greater risks by making stock sales of military equipment to MSP in advance of deliveries of new production. At the present time the Department of Defense is releasing many items of equipment to MSP countries about 90 days in advance of replacement deliveries from new production. If this period were extended from 90 days to 180 days, the rate of deliveries could be stepped up. This policy would ensure a closer relationship between the obligation of MSP funds and equipment deliveries, but from the over-all point of view would not solve Defense's basic problem of stepping up the rate and volume of military production. Third, greater efforts and risks might be taken to procure military equipment with United States funds in Europe. This step might ensure a more rapid obligation of MSP funds, but it is doubtful, since European military production is not at a high level, that deliveries of equipment would be greatly accelerated.

*Conclusion*

On the requirements side, Fiscal Year 1953 should be the year of great effort to procure and produce military equipment for MSP requirements. About $10.5 to $14.5 billion of such equipment should be procured. On the capabilities side, the basic difficulties arise from the fact that psychological and domestic political factors may prevent the attainment of planned rates of acceleration of defense efforts. If these domestic, psychological and political factors are overcome and if we get adequate appropriations so that the Department of Defense is able to schedule promptly and firmly its procurement requirements, the United States industrial mobilization facilities and organization will produce the equipment needed to meet MSP requirements.

*Recommended Courses of Action*

1. Although the subject is currently under review in the NSC Staff, you should be prepared to re-affirm the urgency and importance which you attach to meeting the MTDP targets in full and on time. This means that MSP requirements in Fiscal Year 1953 should be substantially larger than in Fiscal Year 1952.

2. In discussions with the Department of Defense, you might indicate that the larger MSP Fiscal Year 1953 requirements for equipment should continue to be kept in mind in Defense's programming of its own requirements and scheduling of production. If Defense decides to go into heavy procurement for its war reserves in Fiscal Year 1953, you might indicate that full consideration should be given to the possibility of assigning a higher priority to MSP procurement and deliveries than to war reserves.

THOMAS D. CABOT

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700.5 MAP/7–2151

*Paper Prepared in the Department of State*

CONFIDENTIAL [WASHINGTON,] July 21, 1951.

## ADMINISTRATION OF THE MUTUAL SECURITY PROGRAM

### A. SUMMARY OF TESTIMONY TO DATE [1]

1. Secretary Acheson stated that the present setup is working well and should continue. However, if the Committee desires to change present arrangements that should be done only after it has become thoroughly familiar with the whole program. The Secretary stated that, if essential, the name and functions of ECA could be changed

[1] Regarding the hearings on the Mutual Security Program which began before the House Committee on Foreign Affairs on June 26, see footnote 1, p. 334.

but the Committee should weigh the danger of disrupting a going concern.

2. Cabot urged the present setup be continued on the ground that end-items and economic aid are parts of foreign policy and State is the only logical place for them and foreign policy to be coordinated.

3. Foster said the present setup will work adequately with the improvements now planned for it. However, in response to queries he stated that there are four possibilities:

1. Present setup.
2. New agency for all economic programs.
3. New agency for economic and military programs.
4. State Department to be replaced by a Department of Foreign Affairs with four branches: (1) Military Aid; (2) Economic Aid; (3) Information; (4) Foreign Policy.

He seemed to indicate a preference for a setup headed by an administrator rather than a committee, and said that a new agency could handle military end-items as well as economic aid if the technicalities of procurement did not prevent it.

4. Hoffman [2] was strong for a new independent agency to handle economic and military aid. The agency would administer economic aid directly; control the funds for military aid; and would allocate them to Defense for procurement. Its relationship to the Defense Department would be like the present relationship between State and Defense with respect to MDAP. It would also decide whether military items would be made in the U.S. or abroad. The agency would have a veto on Exim Bank loans and would be a member of the Executive Committee of the International Bank. The administrator must have cabinet rank in order to effect coordination.

5. Rockefeller strongly favored a single agency for all economic aid, particularly with respect to Point IV and other underdeveloped areas programs, development of essential materials, and encouragement of private capital. He stated that military end-items should be handled as now, except that the new agency should help the military in offshore procurement. He suggested that the Bureau of the Budget should study how much of export controls and procurement should be placed in the new agency.

6. Tracy Voorhees [3] presented the recommendations of the Committee on the Present Danger, whose views are similar to those expressed by Mr. Hoffman, summarized in 4, above.

7. Perkins said that many agencies of the government were involved in the programs and that positive machinery is required for coordination so that only the most critical issues reach the top. He said the

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[2] Paul G. Hoffman, Director of the Ford Foundation; Administrator of the Economic Cooperation Administration, 1948–1950.

[3] Vice Chairman, Committee on the Present Danger; Under Secretary of the Army, 1948–1950.

present way is not bad. It should be improved if possible, but we must be careful of drastic changes, since a three or four month let-down would be very serious. In discussing the relationship of policy to operations, he said the present State–ECA relations were satisfactory. However, the provision for State Department policy guidance should perhaps be strengthened.

### B. TRENDS IN COMMITTEE HEARINGS

On the basis of Committee reaction to the above testimony and informal conversations with members of both Houses on this subject, the following appear to be the main trends:

1. *Termination of ECA.* The Committee wishes to terminate ERP and there is strong sentiment for ending ECA earlier than June 30, 1952. However, there is a desire to create a successor agency to operate the economic part of MSP. This is in contrast to the Administration proposal that ECA be continued for that purpose.

2. *A new agency for economic programs.* There is considerable feeling that the successor agency to ECA should have broader functions in the economic field than those contemplated for the ECA under the Administration plan. These functions apparently would include all aid to underdeveloped areas, including Point IV; economic aid to Europe; and probably an expanded role in development and procurement of strategic materials, in foreign lending, and in foreign claimancy. Hoffman, Rockefeller, and Voorhees have been strong for this concept and it is incorporated in a bill drafted by Senator Lodge.[4] These trends are in contrast to the Administration proposal which would keep Point IV in State; would retain ECA; would not make ECA a global agency; and which has not to date contemplated centralizing foreign claimancy and materials procurement and development in a single foreign operating agency.

3. *A new agency for economic and military programs.* There also appears to be very considerable support for the Hoffman–Committee on the Present Danger proposal which provides that "foreign policy would be made by State" but that there be a single overall agency controlling both the military and economic aid. The agency would operate economic aid and allocate funds to Defense for procurement of military end-items. The economic and military aspects of MSP would be unified under the Administrator of the proposed agency, who would have Cabinet status. Some Committee members have expressed concern about the effect of this proposal on the State Department and have stated a desire to preserve the Department's policy function in relation to such an agency.

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[4] Senator Henry Cabot Lodge, Jr., of Massachusetts; Member of the Senate Foreign Relations Committee.

4. *Field organization.* There has been little attention to the field organization. Prevailing Committee sentiment appears to subscribe to the concept that the Ambassador is the senior U.S. representative in a country. However, the advocates of a new economic agency or a new overall foreign aid agency have in mind special missions abroad of the ECA type which would reflect the expanded responsibilities of the new agency. In addition, the Lodge bill provides for area "Special Representatives", responsible to the Administrator, who would "coordinate diplomatic and special missions" in their areas with respect to foreign aid matters and who would represent the U.S. at international organizations.

5. *Control and allocation of program funds.* The Lodge bill provides for appropriations to the President. Other proposals are not clear on this point. Under the Hoffman–Committee on the Present Danger proposals, funds would be allocated by the Administrator of the new agency. This is a departure from the present practice with respect to MDAP and the line taken by the Administration.

6. *Coordination of economic and military programs.* The Hoffman–Committee on the Present Danger proposal unifies the economic and military aspects of the MSP under the Administrator of the proposed agency. The Lodge bill provides for an advisory committee to the Administrator (ISAC), which would be under the chairmanship of the Administrator. This is contrary to the line taken by the Administration.

7. *Relation to the Battle Bill.*[5] The Battle Bill proposes that the President appoint a Mutual Defense Assistance Officer to direct the use of foreign aid in order to lessen East-West trade. Pending the appointment of this officer, the Bill provides that the Director of the Mutual Defense Assistance Program shall exercise this function. Under the Committee on the Present Danger recommendations, the Administrator of the proposed overall agency would become the Mutual Defense Assistance Officer to be established by the Battle Bill.

### C. ACTION CALLED FOR

The situation appears to have reached a point where the Administration must decide what action to take to influence Congressional thinking concerning the Mutual Security Program. Hearings in the House Committee are scheduled to be finished this week. Committee sentiment both on the mark up of the bill and on the form of organization is solidifying. Several drafts of legislation are already in

[5] Reference is to H.R. 4550, sponsored by Representative Laurie C. Battle of Alabama, which was approved as the Mutual Defense Assistance Control Act of 1951, October 26, 1951 (Public Law 213, 82d Cong., 65 Stat. 644). For text, see *Mutual Security Act of 1951 and Other Basic Legislation*, pp. 115–120. For documentation on United States policy regarding East-West trade, see pp. 993 ff.

549–782—79——23

existence and being discussed. It appears desirable that steps be taken, including the following:

1. Check various sources to determine Congressional sentiment as accurately as possible.
2. Mobilize the full political force of the Administration to support whatever line of action is determined upon after making the check called for in the paragraph above. This would include making use of the political strength of the White House, interested Cabinet members, and others.
3. Give assistance to key House Committee members, particularly Richards and Vorys.[6]
4. Indicate to the Committee that, although we still believe the Administration proposal is the soundest course to follow, we will be glad to cooperate with the Committee in working out the details of a bill for the purpose of preserving the program and the Department's foreign policy function.

[6] Representative John M. Vorys of Ohio; Member of the House Foreign Affairs Committee.

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700.5-MAP/7-2351

*The Deputy Director of International Security Affairs (Coolidge) to Senator Henry Cabot Lodge, Jr.*

WASHINGTON, July 23, 1951.

DEAR CAB: Thanks a lot for sending me your draft bill [1] creating a single agency to administer the Mutual Security Program. While I have discussed it with a few people here, I have not felt at liberty to ask our legislative drafting experts to go over it, and so my comments don't cover problems of technical detail.

My comments are on the premise that Congress will insist on a single agency, though as you know I think the logic is that the State Department should continue to coordinate and to allocate funds. The views of Hoffman et al are based on the erroneous belief that the State Department "operates". Even if Point IV is to remain in State, it is largely organizing personnel from other departments to operate the programs.

My comments are as follows:

1. You have fitted the agency into existing legislation very neatly; I was afraid that to create a new agency which does more than the ECA now does would require a complete rewrite of that Act.
2. You are right in having in Defense the operation of the military end-item program. For the new agency to attempt to do that would create the greatest confusion, duplication and inefficiency.
3. As I see it, the big problem is how to ensure that the new agency will not take over the direction of the foreign policy of the United States (e.g., FEA in the last war). It is not enough to say that ECA

[1] The draft bill does not accompany the source text. It was not introduced by Senator Lodge.

did not do so, for at least three reasons. First, ECA was a temporary organization, with an expiration date of June 1952. Second, it had a much smaller field of operation than will the new agency, which will have new responsibility for military aid, cover far more countries, and will be beset by the political problems which the creation of NATO produces. Third, ECA has been headed by two men of unusual character and breadth. So the performance of ECA is in my view no gauge of what a future administrator, with the all too common desire to enhance his power, will do as the head of a permanent agency distributing a lot of money annually to most of the free nations throughout the world.

4. Ways to meet this danger, which I believe to be very real (even after discounting my connection with the State Department), are not easy to prescribe. The following might help:

*a.* Place a time limit of say four years on the existence of the new agency. Congress would then take a look at the whole situation at the end of that period. Incidentally, this might stimulate the foreign countries to greater effort by making it clear that we don't propose to carry them forever. Probably we will wish to continue many Point IV programs and some aid to a few countries, but they could be continued in a shrunken agency or transferred back to State as then seems best.

*b.* Give to the Bureau of the Budget the allocation of funds to the Department of Defense and the new agency. This would not reinstate the power which is now alleged to exist for the State Department to run off with the ball, but at the same time would prevent the new administrator from doing so.

*c.* Strengthen the language regarding cooperation between the new administrator and the Secretary of State, so that the former must follow the guidance of the latter in matters of foreign policy.

5. In connection with the above problem, I query the advisability of establishing in the Act a series of regional economic ambassadors. It seems to me they would inevitably dominate our ordinary ambassadors in the region. The one in Europe is bad enough and has worked principally because it has been filled by such broad gauge men. I believe that the present system abroad is working as well as the frailty of human nature permits and that such problems as have arisen are due to clashing personalities and would have arisen within a single agency.

These comments are purely personal. I know the matter is complex enough so that they do not cover all the problems which the change you propose will create, but I hope they will be of some help to you. Let me know if I can do more.

I hope the trip was worth while.[2]

Sincerely yours, CHARLES A. COOLIDGE

[2]A party consisting of nine members of the Senate Foreign Relations Committee, including Senator Lodge, visited Europe from July 7 to July 23 to obtain a first-hand report on the effectiveness of the United States aid program, the European production and defense effort, and related matters. A similar factfinding mission, consisting of 18 members of the Foreign Affairs, Armed Services, and Appropriations Committees of the House of Representatives had visited European countries from June 9 to June 18.

Secretary's Memoranda, Lot 53 D 444

*Memorandum of Conversation, by Mr. Lucius D. Battle, Special Assistant to the Secretary of State*

CONFIDENTIAL [WASHINGTON,] July 24, 1951.

Senator John Sherman Cooper[1] called me today and discussed the forthcoming Senate hearings on the Foreign Aid Bill. He said that he had talked to several of the Senators who had returned from Europe recently. He wanted to pass on what he had learned from them as possible help to us in the hearings.

Senator Cooper said he was more hopeful after talking to them and seemed to think the trip had been useful. He then went on to mention several points which he thought we should be prepared on, which might come up in the hearings. These points are as follows:

1. The Senators will want to know the basis by which amounts required are decided on. He said that the Senators had tried to find out at General Eisenhower's headquarters and were told there that the figures had been sent here. He said they would ask who determined the amount needed, why, when, et cetera.
2. Some of the Senators are concerned because appropriations for fiscal '50 and fiscal '51 have not actually been used. Senator Cooper said that he knew that contracts might have been let for the use of these funds but he said that some of the Senators could not understand why we needed additional appropriations when we had not used the appropriations for the two preceding years.
3. The Senator mentioned that some of the Senators are inclined to spread the appropriation over a period of two years. He said that their thought was that if more money was required, we could go up for a supplemental appropriation. The Senator thought we should be ready to answer this line of argument.
4. The Senator mentioned the problem of organization. He said there was considerable interest in this and said we could expect questions on it.

In connection with "4" above, Senator Cooper said that he was impressed with the arguments of Mr. Rockefeller in his recent testimony.

I thanked Senator Cooper profusely for the information.

L[UCIUS] D. B[ATTLE]

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[1] Consultant to the Secretary of State; a United States Senator from Kentucky, 1946–1948.

NAC Files[1]

*Conclusions and Recommendations Approved by the National Advisory Council*[2]

SECRET [WASHINGTON,] July 27, 1951.

Document No. 88

FINANCIAL POLICY ASPECTS OF FISCAL 1953

MUTUAL SECURITY PROGRAM

(1) *Gold and Dollar Reserves of Recipient Countries*

(*a*) *Europe*

1.—U.S. foreign economic assistance under present conditions should be determined primarily by considerations of mutual defense. The present policy of not extending grant assistance to European countries for the purpose of increasing gold and dollar reserves should be continued. Where an increase in reserves occurs or where such an increase seems probable, taking into consideration net receipts of dollars from all sources, including military expenditures, the situation will require the most critical examination.

2.—Where, in the opinion of the US, failure to provide dollar aid would prejudice mutual security, such aid should not be withheld merely because the US anticipates that one of the effects of such aid would be to increase the reserves of the recipient country.

3.—In general countries participating in the defense effort should not be required to reduce the present level of reserves as a prerequisite for receiving US aid.

4.—Where the country is making a satisfactory contribution to mutual defense, an unanticipated accumulation of reserves occurring as a result of the vigorous application of appropriate economic and financial policies should not automatically result in the reduction of aid.

(*b*) *Underdeveloped Areas*

Aid to underdeveloped areas is generally intended to increase total resources available for economic development and creation or expansion of essential social services. It is not generally intended to cover balance of payments deficits. Although grant assistance may be given

[1] Master files of the records of the National Advisory Council on International Monetary and Financial Problems, 1945–1958, as retired by the Bureau of Economic Affairs, Department of State (FRC Acc. No. 71A6682, Item 70, 15 boxes).

[2] These conclusions and recommendations constitute NAC Action No. 482, taken by the Council at its 181st Meeting, July 27, in response to a letter from President Truman to Secretary of the Treasury John W. Snyder (Chairman of the NAC), not printed. The President requested financial policy recommendations for use in planning for the Mutual Security Program for Fiscal Year 1953, updating as necessary the decisions of NAC Action No. 442, December 26, 1950 (described in extract from *Current Economic Developments*, January 2, 1951, p. 266).

in appropriate cases to underdeveloped areas for the purpose of financing internal costs of development it is in general unlikely to have substantial influence on the trend of reserves in such areas. Therefore, presently conceived programs for the underdeveloped areas do not appear to present major questions relating to levels of reserves.

(2) *Counterpart Policy*

(*a*) *Europe*

1.—*For Military Goods and Services.* It is recommended that, as in the past, counterpart deposits should not be required by recipient countries for military goods and services given on a grant basis. This policy would also appear appropriate for other areas.

2.—*For General Economic Assistance.* It is recommended that counterpart deposits should be required for all direct grant assistance. It is also recommended that legislation permit the use of counterpart funds directly for military expenditures where such use would most advantageously facilitate the defense effort.

(*b*) *Underdeveloped Areas*

1.—In view of the diverse nature of the programs and the varying political and economic circumstances in such areas as the Middle East, South Asia, and Southeast Asia, it is recommended that the administering agencies of grant assistance economic programs should have substantial discretion in determining the extent to which counterpart funds may be appropriately required country-by-country and on the terms and conditions under which counterpart may be expended.

2.—In general, it is recommended that counterpart deposit for grant assistance be required at least in those cases where the goods supplied are to be sold through private commercial channels either directly or by the recipient government. In some instances a policy of requiring counterpart deposits for the full amounts of goods supplied may be desirable if in fact this policy should be of value as a means of influencing general monetary and economic policies and facilitating economic development.

3.—Generally, it would appear desirable that where counterpart deposits are required the amounts should be commensurate in value to the dollar costs of the goods supplied. Commensurate value would be determined by appropriate exchange rates in accordance with existing NAC actions.

4.—It is suggested that counterpart deposits be made available to meet the United States local costs of administering the programs but that no fixed percentage of proceeds need be assigned for such costs nor that the United States attempt to use such funds for general administrative expenditures of this Government.

(3) *Loan-Grant Policy**

I. *Economic Assistance*

(*a*) *Europe*

For the last three years the Council has recommended that extraordinary assistance to Europe should be on a grant basis. There appears to be no reason for changing this policy during the coming year.

(*b*) *Underdeveloped Areas*

1.—Insofar as physical availabilities will permit, it is proposed to foster economic development in some countries at a rate which may be faster than they might undertake exclusively on a loan basis. Grants may be required to influence the character as well as the rate of development.

2.—For fiscal 1953 loans should be extended by the established lending institutions, namely the Export-Import Bank and the International Bank for Reconstruction and Development, under their usual terms and conditions. The Executive Branch should not request authority or appropriations from Congress for special categories of loans.

3.—Where countries are in a position to service loans, bearing in mind their longer range development needs, and the projects are of the appropriate type, the programs should be put on a loan basis. It will be necessary to review the proposed programs country-by-country to determine the amounts which the individual countries might finance on a loan basis.

II. *Military Goods and Services*

Military goods and services should be provided on a grant basis or against cash payment, not on a credit or loan basis.

*The principles set forth in this section are not designed to cover the financing of strategic and critical materials. The financial terms and conditions for facilitating production of strategic materials are covered in NAC Document No. 1151 (Revised). [Footnote in the source text. Document No. 1151 is not printed.]

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800.00 FA/8-351 : Circular airgram

*The Secretary of State to Certain Missions Concerned With the Mutual Security Program*[1]

RESTRICTED WASHINGTON, August 3, 1951—2:50 p. m.

Hearings Mutual Security Program before House Foreign Affairs Comite were completed July 31 and began in Foreign Relations

[1] Sent to 67 posts.

Comite Thur. July 26.[2] Washington witnesses included large number top State, ECA, Defense officials and Harriman. Field officials testifying included: Ambs Spofford, Katz,[3] Mr. Batt,[4] Gens Gruenther,[5] Kibler,[6] Arnold,[7] Frederick,[8] Mr. Holmes[9] (Pt. IV, India).

Public witnesses included Messrs. Hoffman, Rockefeller and Voorhees (principally on org), Berle,[10] Clayton,[11] Wadsworth (statement on NE Aid), Lipsky[12] and Nathan[13] (ZOA), Schwartz[14] (UJA), Pickett[15] (Friends), Van Kirk[16] (Wld Council Churches), and Msgr. McMahon.[17]

Trip to Europe appeared increase greatly Members' appreciation complexity problems involved programs, understanding of them. Many assertions by members how well dipl, econ, mil, treas officials overseas worked together. Many favorable comments on calibre officials abroad, all participating agencies and American officials regional organizations. Both Comites much interested in creation new single agency to administer all aid programs (or all econ programs and AMP, but not military end-item asstce) proposed by several public witnesses. Dollar amount of programs questioned strenuously and Bill introduced in House yesterday by Chairman Richards[18] with following cuts: Total

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[2] Hearings occurred before the Senate Foreign Relations Committee on July 26, 27, and 30, and before joint sessions of the Foreign Relations Committee and the Armed Services Committee between July 31 and August 9. These proceedings are recorded in *Mutual Security Act of 1951: Hearings before the Committee on Foreign Relations and the Committee on Armed Services of the United States Senate* (82d Cong., 1st sess.).

Five executive sessions on the subject which occurred between August 13 and August 24 are documented in *Executive Sessions of the Senate Foreign Relations Committee* (Historical Series), vol. III (1951), Part 2.

[3] Milton Katz, U.S. Special Representative in Europe, Economic Cooperation Administration.

[4] William L. Batt, Chief of the ECA Mission in the United Kingdom; U.S. Representative on the NATO Defense Production Board.

[5] Lt. Gen. Alfred M. Gruenther, USA, Chief of Staff to the Supreme Allied Commander, Europe (Eisenhower).

[6] Maj. Gen. A. Franklin Kibler, Director, Joint American Military Advisory Group for Europe.

[7] Maj. Gen. William H. Arnold, Chief, Joint American Military Mission for Aid to Turkey.

[8] Maj. Gen. Robert T. Frederick, Chief, Joint United States Military Aid Group to Greece.

[9] Horace Holmes, agriculturalist for the Department of State and the Department of Agriculture.

[10] Adolph A. Berle, Jr., Assistant Secretary of State, 1938–1944.

[11] William L. Clayton, Assistant Secretary of State (Economic Affairs), 1944–1946; Under Secretary of State for Economic Affairs, 1946–1947.

[12] Louis Lipsky, Chairman, American Zionist Council.

[13] Robert Nathan of the American Zionist Council.

[14] Joseph J. Schwartz, Executive Vice Chairman, United Jewish Appeal.

[15] Clarence E. Pickett, Honorary Secretary, American Friends Service Committee.

[16] Walter Van Kirk of the National Council of Churches of Christ in the United States.

[17] Msgr. Thomas J. McMahon of the Catholic Near East Welfare Association.

[18] Reference is to H.R. 5020, introduced by Representative Richards on August 1. It was not reported by the House Committee on Foreign Affairs. Regarding the position of the Executive Branch on H.R. 5020, see letter from Secretary of State Acheson to Representative Richards, *infra*.

cut $700 million. Title I (Eur) mil–265, econ–285; Title II (NEA and Independent Africa) no cut; Title III (SOA and FE): econ–50 millions, UNKRA–100 millions (leaving 12.5 and 50 of FY '51 ECA money); Title IV (ARA)–no cut.

Efforts recipient countries and probable duration aid programs received much attention. All Comite members for retaining ECA personnel, many for including all tech coop efforts in any new independent operating agency, however appeared to appreciate need for long-term tech coop programs, long-run encouragement foreign investment.

Other subjects of particular interest to Comites: trade with Soviet bloc (Kem Amendment,[19] Battle Bill, etc.); possible inclusion termination date in legislation. Eur: Portion of econ aid not attributable to armament effort; state of European morale; level and adequacy European contribution defense program; limitations on European effort, especially per capita real incomes and living standards; prospects mil and econ aid to Spain; German contribution defense program; progress toward European integration; resultant incrs intra-Eur exchange; possibilities use presently unused productive capacity; further spreading benefits aid programs to low income group; extent of aid to Yugoslavia and participation by European partners in Yugo aid program; Yugo domestic policies and attitudes toward West; info efforts accompanying aid; Greece–Turkey ties to NATO; size of U.S. troop contribution SHAPE relative European contribution; organization of NATO.

(House Comite) NEA: settlement Iran oil controversy; reintegration Palestine refugees; size of Israel, Arab States programs; refusal Pt. IV by Syrian Govt;

FE: whether or not countries themselves are initiating requests for aid; specific accomplishment of STEM, MAAG programs; effect cease-fire near 38 parallel; efforts other countries re UNKRA; details on cost, nature specific programs. (Comite considering making this data public.)

ARA: bases of selection of countries receiving mil aid; whether Arg, Guat would receive mil aid; possible dissatisfaction of Govts with size of mil aid, econ aid.

Pt. IV: possibility of overlapping of bilateral and multilateral (UN, Colombo, etc.), ECA and TCA programs; extension service work (eg. India).

ACHESON

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[19] The Third Supplemental Appropriation Act of 1951 (Public Law 45, 82d Cong.) contained an amendment introduced by Senator James P. Kem of Missouri which provided for a ban on economic aid to countries which shipped strategic materials to Communist-bloc countries. For documentation on the implementation of the Kem Amendment, see pp. 993 ff.

700.5/8-751

*The Secretary of State to the Chairman of the House Committee on Foreign Affairs (Richards)*[1]

WASHINGTON, August 7, 1951.

MY DEAR MR. RICHARDS: My attention has been called to H.R. 5020, a bill "To promote the foreign policy and provide for the defense and general welfare of the United States by furnishing assistance to friendly nations in the interest of international security", which you introduced in the House of Representatives on August 1, 1951.[2] I have also read your accompanying explanatory statement.

First of all, I wish to state my pleasure at your strong endorsement of the purposes of the Mutual Security Program and your forcefully expressed opinion that this program is essential for the security of the United States. In the second place, I would like to express my personal appreciation for the painstaking, thorough and objective manner in which you and your Committee have conducted the hearings on this program and the exhaustive way in which you have been exploring the important and intrinsically difficult problems of national security for which the program seeks to provide some answer.

At the same time, I must indicate my concern over the large reduction which your bill would make in the amounts of aid which were recommended in this program as it was submitted to the Congress by the President. In doing so, I am voicing the joint concern of myself, Secretary of Defense Marshall, the Administrator of ECA, Mr. William Foster, and others in the Executive Branch who are responsible for this program. In our opinion, these reductions would have an adverse effect on the success of the program and would, for this reason, run counter to our national interests. As a consequence, I am convinced that we must have failed in our presentation to bring out, or properly to emphasize, the facts, figures and supporting arguments which, in our judgment, compel such a conclusion. In this letter, therefore, I should like briefly to summarize our position and to indicate our readiness to furnish any additional testimony or information which the Committee might find helpful.

Before addressing myself to the specific reductions which you have recommended, I would like to say a few words about the program as a whole and the manner in which it was constructed.

First, I want to reiterate a statement which I made when I appeared before your Committee—that the size of the program does not reflect requirements but that rather, on the contrary, its size was drastically reduced below requirements because of limitations in readily available

[1] Drafted by John H. Ohly, Assistant Director for Policy and Program Development, International Security Affairs.

[2] H.R. 5020 was referred to the House Committee on Foreign Affairs, which did not report it.

equipment, supplies and technical personnel. In other words, the amounts of assistance recommended by the Executive Branch do not begin to fill those foreign needs which, if it were not for current scarcities in military equipment and other materials of aid, our national interests would dictate should be met in full.

Thus, the military aid which we actually requested had already been severely cut back from requirements as they were developed by our military authorities. Our production experts determined that any larger total military aid appropriations, when considered in conjunction with our own military appropriations, would not in fact result in the production of any larger quantities of military equipment during this fiscal year than under the program proposed. The limitation here is the capacity of American industry, operating at the present level of mobilization, to carry out a bigger production program during 1952 than the one which is called for by a combination of the President's proposals for our own military establishment and for foreign military aid. We believe the present military aid program to be feasible, but we wish, because the requirements certainly so demand, that it might be materially increased. Similarly, in the case of economic and technical assistance, we have been confronted with serious world-wide shortages in raw materials, machine tools, industrial equipment and technicians, and these shortages have handicapped us in developing programs of an economic and technical character which are adequate fully to accomplish our objectives.

The program which was submitted represents the product of nearly a year's work on the part of some of the ablest people in the Executive Branch of the Government. It is one of the most carefully prepared programs that has ever been transmitted to the Congress. Requirements were developed in great detail through exhaustive field studies and thoroughly screened. These requirements were considered in conjunction with the requirements of our own defense establishment and the civilian economy after equally careful studies had been made of our resources and productive capacity. The amount of the program was repeatedly cut back, representing the elimination or deferment of less urgent requirements because of limitations in resources. One of these progressive cutbacks is reflected in the difference of more than $1,150,000,000 between the amount for foreign aid contained in the President's Budget Message and the amount proposed in the specific program now before you.

If time were not crucial, the further sizeable reductions which you propose might not have the same adverse consequences that we believe they now do. Under such circumstances the meeting of requirements could be phased over a longer period. Today, however, time is crucial, and the future of our nation will depend upon how well we use the time that we still have available to build strength in places where

strength is critical to the survival of free nations. The longer that situations of great military, political and economic weakness prevail in various areas of the free world, the longer will we face the risk that Soviet exploitation of these situations will precipitate a third world war or cause the loss of peoples that are vital to the position of the free nations. If the free world had already attained the degree of strength which, over the next few years, the Mutual Security Program should help to create, the possibility of other Korea's would be vastly reduced, as would the danger that vital regions will fall prey to Soviet subversion. Until the day when this level of strength has been achieved, and can be maintained, the present danger does not merely continue, it increases, because the Soviet world is relentlessly seeking to improve its military posture and has accelerated its efforts to capitalize on the poverty, sickness, ignorance and frustration which prevail in many areas of the free world where our technical and economic assistance could do so much in helping to remove these conditions and in giving their peoples a hope for the future. Time, therefore, is vital in this whole field, and we cannot afford to postpone until tomorrow any of those measures which we have the capacity and national interest to undertake today.

I turn now to the specific consequences which would flow from the particular reductions that you have suggested.

In the case of Europe, your bill would reduce the aggregate amount available for foreign assistance by $550,000,000—$265,000,000 in military aid funds and $285,000,000 in the funds available for economic assistance. It is our considered judgment that this reduction would seriously affect our efforts to build military strength in Europe and set back the present, already much too extended timetable for raising and equipping the forces which are required by General Eisenhower.

I can best explain the reasons for the foregoing conclusion by reviewing the processes by which the amounts proposed by the President were arrived at in the first instance. As you know, the North Atlantic Treaty Organization has developed, and the participating governments have approved, a military plan which calls for the creation within a specified period of forces which will be capable of withstanding aggression against the North Atlantic Treaty area. The general size and composition of these forces has been initially defined; the cost of raising, maintaining and equipping them has been roughly estimated; and the general magnitude of the capital equipment requirements for them has been calculated. In addition, estimates have been made of the extent to which the European NATO members can, during the specified period, and upon the assumption that U.S. economic assistance of a marginal nature will be continued, pay for the support, training, equipment and facilities which such forces will need. With these several calculations in hand, it has been possible to make a rough

approximation of that portion of the total capital equipment requirement which may need to come from, or be financed directly by, non-European sources, principally the United States. The military assistance funds requested by the President would make possible one of several successive installments for meeting this total amount.

Subsequent screening of this plan by General Eisenhower may result in some reduction in these requirements, but it is also possible that such a review may indicate the necessity for an increase. Subject only to this qualification, I am in a position to assure you, after considering the time period within which the plan should be completed and the long lead-times involved in producing military equipment, that the military assistance proposed by the President for the forthcoming year represents a disproportionately small slice of the total requirements. The proposed slice would be much larger if our productive capabilities appeared adequate, at the present level of mobilization, to make it larger. The physical requirements exist, and they cannot be disregarded. They are among the hard facts with which we must contend if we are to reach the end which we seek. Any reduction in the funds which we have sought can therefore only postpone, not alter the necessity for, the fulfillment of these requirements. Such a postponement, moreover, while it in no way increases the ultimate saving to the United States, does have the effect of decreasing, and by a disproportionately large amount, the security which the United States might otherwise attain. For one thing, it lengthens the period of serious war risk by deferring the day when strength adequate to deter or repel aggression will exist in Europe. Moreover, failure to deliver this equipment on the schedules which have previously been worked out can upset the plans for the raising and training of forces which have already been agreed to by our North Atlantic Treaty partners. Thus, it can retard the process of European mobilization, for the raising and training of forces must go hand in hand with the provision of equipment, and the former must invariably be slowed down as the rate of deliveries is reduced. Such a cut would, in addition, make it much more difficult, out of the equipment to be produced from the funds included in this legislation, and in the event that future developments should make this advisable, to divert any substantial quantities to Germany or other non-NATO countries.

The reduction in economic aid would, if anything, have equally adverse effects on the rearmament of Europe. As we have constantly stressed, one of our principal purposes in this program is to help the Europeans to carry as much of the rearmament burden as they can without undermining the basic economic and social structure which we and they have worked so hard to create through the European Recovery Program. Such an approach not only increases the speed with which we can obtain real strength in Europe but also reduces the pe-

riod during which the maintenance of this strength will require continued assistance from this country. The proposed reduction will slow both of these processes.

Our economic aid has been, and will continue to be, marginal in the sense that it represents those resources which the Europeans do not have and cannot obtain for themselves, but which they require in order to develop and make the fullest use of their own resources. Our economic assistance as administered has had a multiplying effect in that a dollar's worth of such assistance, when coupled with the manpower, materials and facilities already available in Europe, has resulted in increased output many times in excess of that dollar. In this way the productive capacity of Europe has been greatly increased, and this increase is largely responsible for the fact that Europeans have been able to carry the significant burdens of rearmament that have already been undertaken. Since consumption, on the average, is close to the minimum level, any further significant increases in the European defense effort are dependent upon continued increases in production output. A reduction in assistance can only lead to a reduction in the ability of the Europeans to increase their output and thereby to provide greater amounts for defense purposes. The result, here again, will be a postponement of the day when these nations can be self-sufficient, with a probable consequent increase in the total ultimate cost to the United States, and a postponement of the time when General Eisenhower will have the necessary military strength behind him.

While it is true, as you have indicated, that European defense production has grown more slowly than we had originally hoped and expected, progress has been substantial, and a large number of the early physical and technical obstacles to the acceleration of this process have now been or will shortly be removed. With their removal, the big remaining obstacle for the Europeans is the problem of financing—the problem of mobilizing resources of their own which are sufficient to support this production together with all the other military tasks they must perform. Since the economic aid proposed for the NATO countries is already based on optimistic assumptions concerning the defense burdens which each of these countries can finance for itself, the suggested reduction can have no other effect than to limit the military efforts which these countries will be able to make during the year ahead. Moreover, because of the multiplying effect of our economic assistance, to which I referred above, the reduction will curtail these efforts by more than the dollar value of the economic assistance which is withheld. At a time when each one of the participating nations should do everything of which it is physically capable, it would be unfortunate if our aggregate effort should fall

seriously short of the total effort which, through the judicious use of U.S. economic assistance, would otherwise be possible.

In the case of the Far East and South and Southeast Asia, the proposals contained in your bill would reduce the aggregate amount of authorized economic assistance from $375,000,000 to $225,000,000, or a reduction of 40%. $100,000,000 of the total cut would be reflected by the deduction of this amount from the authorization for $112,500,000 in new funds which was requested by the President for relief and reconstruction work in Korea. The other $50,000,000 would constitute an approximately 20% decrease in the $262,500,000 recommended for economic and technical assistance in South and Southeast Asia, Formosa and the Philippines. The total reduction would necessitate a revision in our present plans, and such revision would, in our opinion, decrease our ability to attain important national security objectives in this critical region.

In this vast area, an expanse embracing nearly 30% of the world's population, the economic programs as they were submitted are, when measured against our vital interests in the area and the needs of the area, of modest proportions. They represent only 3% of the amount which has been proposed for the Mutual Security Program as a whole. Their relatively small size was again dictated by limitations in available materials and technical personnel and by the extent to which available aid could be effectively utilized, under the conditions existing in these countries, to advance the security of the free nations. Over 80% of the total amount requested has been programmed for four countries—Formosa, the Philippines, Indochina and India—where either the size of the need or the critical character of the immediate situation, or both, necessitate the largest effort in terms of assistance. In most of the remaining countries in this area, the planned programs are so small that any appreciable reduction therein would materially reduce, if not eliminate, the value of proceeding with them, and yet their abandonment would, we believe, be detrimental to our efforts to build real strength in this important corner of the world. Consequently, as a practical matter, all or substantially all of the $50,000,000 cut would necessarily come out of the present programs for the four countries which I have mentioned. I shall therefore review the specific results that would follow if this were done.

The assistance proposed for the Philippines is designed to make possible the implementation of the long-term recommendations of the Bell mission for the recovery and stabilization of the Philippine economy. This mission made the most careful study of the situation existing in the Philippines and its conclusions have been endorsed both by this government and by the Philippine government as a sound approach to the economic problems of this new country. A portion of these recommendations concern far-reaching and politically difficult

actions to be taken by the Philippine government itself. Many of these actions have already been taken, and they have been taken in the faith that other recommendations in the report—those calling for actions by the United States—would also be carried out. Failure on the part of this government to undertake these actions would be viewed as a breach of a moral commitment, and would make more difficult, and delay, the economic recovery which the report envisaged. Since the problems of the Philippines, including the problem posed by the Communist guerrilla forces, are in large measure a product of the country's economic plight, failure to address the evil at its root will prolong the situation which now exists. Moreover, the military assistance which we are providing to assist in eliminating the Communist guerrilla threat will prove useless in the long run if the conditions which have given rise to and nourished the Huk movement are permitted to continue. We risk this result if any appreciable portion of the proposed $50,000,000 cut were taken from the Philippine program.

I hardly need to stress the importance of Formosa or to describe the difficult economic burden which has been imposed on this small island by the necessity of maintaining not only a civilian population which has been augmented by refugees from the mainland, but also a military force in the neighborhood of a half million men. We are attempting by the provision of large quantities of military assistance to make these people relatively secure in the event of any attempted Chinese Communist invasion. This effort will be impossible of success, or at least meaningless in the end, if economic conditions in Formosa should seriously deteriorate or if the country should be unable to provide the basic support required by the military forces. The economic aid which we have proposed has a two-fold purpose—first, to make it possible for the Chinese government to feed, clothe, provide the facilities for, and otherwise to maintain during the coming year, the military forces to which we are furnishing equipment and, second, to increase the capacity of this island to become self-supporting at the earliest possible future date. The application of all or some part of the $50,000,000 cut to the projected Formosan program would therefore have either one or both of the following consequences: (1) extend the future period during which Formosa would be dependent on outside economic assistance or (2) deprive the Formosan forces, with all the adverse effects on morale and military effectiveness which this would entail, of certain essential maintenance support. The overstrained Formosan economy cannot carry the entire military load without our help.

In Indochina the battle for Southeast Asia is now being bitterly waged. Much of the country is a theater of active military operations, and on the outcome of these operations may hang the fate of free Asia. At the moment, 150,000 French Union troops, together with slowly

increasing forces of the Associated States, are holding their own. It is nonetheless clear that even with our military assistance, it will be difficult to continue to hold in the future, not alone to improve the situation, unless a number of other developments occur. Unless the governments of the Associated States can deal with the problems of relief that are created by the scorched earth tactics of the guerrillas, can develop institutions which are responsive to the needs of their people, can raise and support additional forces of their own to augment, and eventually to replace, the French Union troops, and can commence projects which promise a better future for their subjects, the situation will become hopeless. At their present stage of development, and beset by widespread hostilities and subversion, these new states are unable to take all of these steps without the kind of technical and economic assistance that we have proposed in the current program. The value of our military assistance in the solution of current military difficulties will be materially lessened unless this complementary economic and technical aid is also provided. The application of all or an appreciable portion of the $50,000,000 reduction to the Indochina program would thus materially detract from the attainment of our objectives.

The problems of India have had the special attention of your Committee on several occasions during the last six months, and I need not belabor them. The continued freedom of its 350,000,000 people from Soviet control is obviously a matter of great moment to the rest of the free nations. In relation to its importance, population and needs, the amount of aid which we have recommended is the minimum needed in order to begin an effective attack on India's central problem—the shortage of food. We believe it is necessary to expand, and to complement with essential supplies, the small technical assistance projects which we already have under way and which have shown such promise, projects which are directed almost entirely to increasing the production of food. In addition, it is important to effect a rapid increase in the base of Indian agriculture—to expand India's agricultural "plant capacity" by clearance of new land, by ground-water irrigation of land that is now marginal, and by the expansion of capacity to produce and use fertilizer. The application of all, or any appreciable portion, of the $50,000,000 reduction to this program would make the implementation of these measures impossible.

As a practical matter, therefore, this reduction, if it is allowed to stand, would necessarily eliminate, or seriously impair, the programs which have been planned for one or more of the above four countries and, in doing so, materially hamper our efforts to build strength in Asia. Without such strength, Asia is likely to be lost to Soviet Communism, and such loss would do incalculable damage to our capacity to defend ourselves. Although some of the projects which are proposed

549-782—79——24

are long-range in the sense that they will take a number of years to come to fruition, they are essential to this strength, and if they are not commenced now, in this critical period when the future of the free world is being shaped, the reasons for commencing them, and the opportunity to commence them, may well be lost. The free countries may then already have been absorbed in the Soviet sphere.

I am also concerned over the effect of the proposed cut of $100,000,000 in the authorization of funds for Korean relief and rehabilitation upon the morale of the Korean people, upon their willingness and ability to continue resistance to Communist control, and upon the contributions which other countries have made or pledged for the relief and rehabilitation of the Korean people. I fully sympathize with the considerations which led you to propose this reduction, but I believe that those which I am setting forth below should be controlling.

The Korean Government and people are already familiar with the proposed $250,000,000 program of the United Nations, and with the fact that the United States, subject to the approval of the Congress, has pledged $162,500,000 toward this program. The Korean people will not understand the failure of this government to authorize an appropriation equivalent to the United States pledge and will be disturbed over the implications of this failure for their future. Only the hope of an eventual improvement in their serious economic plight, a hope which is symbolized in the proposed United Nations program, has sustained their morale and will to endure their present hardships and sufferings. During this period of armistice negotiations, moreover, they are particularly apprehensive over the long-run intentions of the United States and the United Nations with respect to their country. The recent announcement of arrangements between the Unified Command and the United Nations Korean Reconstruction Agency has been extremely helpful, according to our Ambassador, in persuading the Koreans that there was no intention to desert them.

I hardly need emphasize the intimate relationship between the morale of the Korean civilian population and the success of the armies operating in Korea, if warfare continues, and of its similar relationship to the maintenance of political stability, if warfare should cease. I believe that the effect of low morale or disillusionment upon Korean cooperativeness in military and political negotiations, and upon their determination by their own efforts to create military and economic strength, is also evident. The results of low morale could be disastrous and largely undo the accomplishments of our costly military efforts.

I should also stress that an indication of Congressional unwillingness to authorize the full amount pledged by the United States to the

United Nations Korean Reconstruction Agency (UNKRA), subject to Congressional approval, would have an unfortunate effect on the similar legislative actions which are required at this time in other countries in fulfillment of their own pledges. It would also certainly affect our expectation that additional countries will contribute to the financial support of this undertaking. In addition, the United States must not overlook the fact that certain other nations have already made their pledges good. To name only one, Canada has paid its contribution of $7,250,000. The United Kingdom, its contribution of $28,000,000 authorized by Parliament, has indicated that its pledge was made with the anticipated United States contribution in mind, and that its payments will be governed by the payments made by the United States. I therefore think that if the United States fails to exercise leadership by fulfilling its moral commitment to this undertaking, such action will have an adverse effect on the promised or anticipated contributions of other nations, whereas forthright action now in accordance with our pledge is likely to stimulate such contributions. Such a development might, in view of our residual responsibility to the Republic of Korea, result in a greater total cost to the United States in the long run.

While the date for commencement of a major program cannot yet be fixed, it is likely that it will be under way sufficiently early in the current U.S. fiscal year so as to require large amounts available for prompt commitment. The United States contribution will require action by the Appropriations Committees as well as by the committees concerned with foreign affairs, and there is a danger that funds could not be made available in time if the full authorization were not now approved.

The United States should, by authorizing the full contribution now, honor its moral obligation. In this way it will affirm its good faith and give an important vote of confidence to these heavily burdened people who have suffered some $2,000,000,000 in war damage to their homes, farms, hospitals and businesses.

I hope that the foregoing review of the effects of the proposed reductions is sufficiently explicit and detailed to provide you with a clear understanding of the reasons for our concern over your proposals and of the importance which we attach to an authorization for the full amounts requested. If it fails to do so, we are prepared to appear at any time to furnish further explanations.

Sincerely yours, DEAN ACHESON

S/S–NSC Files, Lot 63 D 351,[1] NSC 114 Series

*Paper Prepared by the International Security Affairs Committee*[2]

TOP SECRET [WASHINGTON, August 8, 1951.]

NSC 114/1, Annex No. 2

## FOREIGN MILITARY AND ECONOMIC ASSISTANCE

### I. SUMMARY

1. No development in the world situation is considered by ISAC to have diminished the importance or urgency of completing the foreign economic and military assistance programs by the target dates outlined in Annex 2 of NSC 68/3.[3]

*a.* With respect to the European NAT countries, the Medium Term Defense Plan (MTDP) continues to be the basis for programming military and related economic assistance.

*b.* Prompt and adequate measures need to be taken to arrest the general deterioration of the situation in the Near East, particularly in Iran, the Arab States and Israel.

*c.* In the Far East the United States aid programs together with the struggle against aggression in Korea have played an important part in stemming the tide of Russian-inspired subversion and conquest; but much remains to be done and it is too early to predict that the favorable developments will continue.

2. United States end-item assistance already programmed through Fiscal Year 1952 to meet requirements of the MTDP totals about $10 billion and is related primarily to the unit equipment requirements for forces to be available by July 1, 1952.

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[1] Serial master file of National Security Council documents and correspondence and related Department of State memoranda for the years 1947–1961, as maintained by the Executive Secretariat of the Department of State.

[2] This report was prepared as part of the response to a directive by President Truman circulated through the National Security Council on July 12 (for text, see p. 102) calling for a report on the status of United States programs for national security. The report was to be completed by August 1 for purposes of Fiscal Year 1953 budget planning. The present paper was drafted by a working group of the Foreign Aid Committee (FAC), a subcommittee of the International Security Affairs Committee (ISAC). It was approved by ISAC on July 30 as document ISAC D–20b and transmitted to the NSC Senior Staff on the following day with the notation that it was only a preliminary study and would be the object of continuing review by ISAC.

On August 8, the NSC approved Report NSC 114/1, "Status and Timing of Current U.S. Programs for National Security." The annexes accompanying NSC 114/1, consisting of detailed studies of programs, were circulated for information. The present report was circulated as NSC 114/1, Annex 2. For the text of NSC 114/1 (p. 127) and additional documentation on its preparation, see pp. 1 ff. Additional documentation on FAC and ISAC development of this annex on foreign assistance is in Lot 53 D 443, ISAC Files.

[3] NSC 68/3, Annex 2, "The Foreign Military and Economic Assistance Programs," December 8, 1950, is printed in *Foreign Relations*, 1950, vol. I, p. 433. Substantial material on the NSC 68 series ("United States Objectives and Programs for National Security"), including the texts of NSC 68, April 14, 1950, and NSC 68/4, December 14, 1950; and extracts from NSC 68/7, September 30, 1950, and NSC 68/3, December 8, 1950, is printed *ibid.*, pp. 126 ff.

*a.* Deliveries of equipment, for many reasons, have been slow but are now accelerating; and deliveries of Army equipment financed with Fiscal Years 1950 and 1951 appropriations, are expected to be completed by June 1952.

*b.* The Fiscal Year 1952 program includes about $1.0 billion to meet the military equipment requirements of the non-NATO countries. Deliveries to these countries, with the exception of Indochina, are slow due to the shortage of matériel in relation to global commitments.

*c.* In Fiscal Year 1951, $1.23 billion of direct economic aid was allotted to the European NATO countries, while their military efforts totaled $6.0 billion dollars; and for Fiscal Year 1952, $.86 billion of direct economic aid has been requested to be used primarily to support a $9.0 billion military effort by the European NATO countries. About $712 million is proposed to be furnished in Fiscal Year 1952 to other European countries, including Yugoslavia, which are not members of NATO.

*d.* Other economic aid programs for the non-European countries total about $600 million in Fiscal Year 1952; and the major portion of these funds will be directly applied to strengthening the capabilities of these countries to resist internal and external aggression.

3. The primary difficulties being encountered in completing programs include the following:

*a.* Insufficient political cohesion and of resoluteness on the part of many governments to take the necessary measures constitutes a serious barrier to realizing in full the objectives of our economic and military assistance programs. In Europe, these factors are reflected more in the caution with which defense expenditures are being undertaken; while in many non-European countries, they enfeeble efforts to improve the internal security situation and to execute programs of economic improvement.

*b.* In continental Europe, a significant difficulty in completing the MTDP in successive annual installments arises from the inadequacy of the efforts of these countries to increase their military equipment production. Munitions production capacity is available; but financing is not available in sufficient amounts. The ISAC considers this problem one of the most urgent facing it.

*c.* The volume and rate of military equipment deliveries from the United States have been below expectations and still further below the level of essential requirements. As a result, the incentives to raise the forces on schedule are being weakened. Recently established targets, however, call for deliveries of the Fiscal Year 1952 program by December 31, 1952, with the exception of certain aircraft and other items requiring long periods of production. The ability to hold these delivery schedules depends greatly on the trend of defense production in the United States.

*d.* In the non-European areas, shortages of United States trained personnel, as well as export goods, are becoming acute and are inhibiting the rate of program accomplishment.

4. As to adequacy and timing of our foreign military and economic assistance programs, the judgments which emerge from a preliminary reexamination of present objectives and programs of United States

foreign economic and military assistance, initially outlined in NSC 68/4 and Annex 2 of NSC 68/3, indicate that:

*a.* The central issue concerns the position which the United States should take toward the accomplishment by the target date of the North Atlantic Treaty Medium Term Defense Plan.

(1) Recent study by the United States of the cost of the MTDP indicates that the plan, if carried out as scheduled, together with non-NATO military costs of the European NATO countries, would involve a total cost over the four years from mid-1950 to mid-1954 of approximately $72 billion, divided into $40 billion of major matériel requirements and $32 billion of other costs. These estimates include costs of German participation; and exclude costs of United States and Canadian troops that would be included in the MTDP forces under JCS plans. These recent estimates show a significantly higher cost than did the study contained in NSC 68/3.

(2) Total United States assistance for Fiscal Years 1953 and 1954, even if provided at the annual rate requested of the Congress for Fiscal Year 1952, would, together with any present reasonable expectation of European defense efforts, leave a substantial deficiency in the completion of the MTDP requirements.

(3) If the over-riding objective is the military build-up of the size and by the dates contained in the MTDP, the United States should be prepared to furnish assistance after Fiscal Year 1952 in an amount whose outside limit can now be estimated at about $25 billion. Until the re-examination of the MTDP, now under way, has proceeded further; no estimate can be given of the extent to which adjustments and economies in that plan may reduce the size of the deficiency. To the extent that adjustments in the military plan permit cost reductions or extended target periods, this amount can be less; to the extent that European morale and political cohesion improve, it may also be less. Nevertheless, it is probable that United States assistance will be required during Fiscal Years 1953 and 1954 at an average annual rate greater than that requested of the Congress for Fiscal Year 1952 if the program is to be substantially accomplished on schedule. Moreover, the bulk of the funds should be obligated during Fiscal Year 1953 in order to permit the necessary flow of deliveries in 1953 and 1954. Therefore, the funds required to be obligated by the end of Fiscal Year 1953 would be substantially larger than the appropriations requested for Fiscal Year 1952.

*b.* Little scope is available either for significant reductions in the magnitude or for postponing the target dates of our aid programs to the non-European countries. Economic and military assistance requirements for the non-European countries, while substantial in the aggregrate, approach the minimums in terms of both magnitude and timing which are needed to arrest deterioration in the situation, particularly in the Near East, and, in the cases of Asia and the Pacific, and Latin America, to lay a firm base on which more far reaching development and increased military strength can be built in the near future. Particularly for the Near East and Asia regions, United States assistance requirements should not be delayed as to timing.

## II. WESTERN EUROPE

### A. *Objectives and Status of Assistance Programs*

5. The basic United States objective in NATO Europe is the accomplishment of the Medium Term Defense Plan (MTDP) which has a target date for completion by July 1, 1954. The MTDP is the basis for programming military and related economic assistance to the other NATO countries.

6. The salient features and implications of the MTDP which are relevant to the discussion are as follows:

*a.* The MTDP for ground, naval, and air forces in being by mid-1954 represents the agreed aggregate defense force objective of the 12 NATO countries. Individual nations have accepted certain commitments toward the meeting of the aggregate force objectives. The commitments are not firm, but were undertaken subject to financial and economic feasibility, and in the expectation of receiving large but yet unknown amounts of external assistance. The following are the main points about the commitments:

(1) In the aggregate they are substantially less than the totals indicated in MTDP.

(2) The commitments taken together do not represent balanced forces within the total represented by the commitments, the shortfall beneath MTDP being proportionately much greater for air than for ground, with naval force commitments intermediate in shortfall.

(3) It is estimated that present military budgets and U.S. end-item deliveries taken together will provide for less than the total cost of the fiscal year 1952 installment under the commitments.

(4) Although a major aspect of the MTDP is the force levels to be in being upon completion of the build-up scheduled for mid-1954 the force levels in being at intermediate times during the build-up period are of obvious importance.

Although military discussions have been undertaken on closing the gap in the air forces, conclusive action on the governmental level has not yet been reached toward enlarging the national commitments to fill out the MTDP. The U.S. is initiating multilateral negotiations in the Standing Group on additional force commitments by introducing a specific U.S. proposal for additional national commitments broken down by country and by type of force. The U.S. position was derived from ISAC agency studies in conjunction with JCS proposals.

*b.* The MTDP represents a basic strategic requirement, rather than a rigid plan or a detailed plan. It is subject to re-examination and adjustment; and its details remain to be further developed by the Supreme Commands of NATO. General Eisenhower and his staff are undertaking, during the current summer, the first major re-examination of the ground and air plan and are expected to complete this phase of their work during September of this year. It is to be expected that SHAPE and the other NATO Supreme Commands will continue to treat the Plan as flexible and subject to modification in the light of experience and changing circumstances or opportunities.

*c.* The MTDP is a military plan; but its effective accomplishment requires economic strength and resolute political action.

The demands on European economic resources arising out of the MTDP are creating serious economic pressures in Europe, and those pressures will increase. Moreover, after the initial four-year military build-up embodied in the plan has been completed, the maintenance of force levels reached under that plan will continue to exert substantial pressure on European economic resources over an indefinite period.

Resolute political action is not assured. In at least two major European NATO countries there is serious internal danger from strong Communist parties; in several other countries political cohesion is threatened by economic factors. The dangers of severe price inflation and reduced or unimproved living standards consequently threaten the political framework within which the MTDP must be accomplished in many countries. U.S. assistance must have as one of its objectives the maintenance or improvement of political stability.

*d.* The United States is a participant in the NATO Medium Term Defense Plan and shares in both the advantages and the responsibilities of accomplishing the Plan. Since the United States is within the joint enterprise and committed to work for the achievement of a commonly agreed plan, we cannot neglect our responsibilities nor ignore the consequences of our actions on the other members of the North Atlantic community. The magnitude of the problem of achieving the MTDP, as will be indicated in Section D, concerns both the efforts which our Treaty partners make and those which we undertake. Consequently the discussion in this paper is concerned primarily with the Medium Term Defense Plan and our economic and military aid programs are considered within that broader context.

*e.* The estimated cost of accomplishing the MTDP is significantly greater than that given in Annex 2, NSC 68/3. As indicated in Section D, below, the United States must decide the course of action which we should take to achieve our basic objectives in the NATO.

7. The status of current economic and military aid programs for Fiscal Years 1951 and 1952 follows. During this period, as well as in Fiscal Year 1953 and 1954, economic aid will be used to support increasing defense efforts by European countries. Economic aid has, in Fiscal Year 1951, been devoted also to recovery purposes under the Marshall Plan initiated in 1948. Since the Marshall Plan goals have now been substantially reached in all except a few European countries, it is contemplated that economic aid will be used for the purpose of building economic strength, primarily to support a long-term military effort in Europe.

8. In Fiscal Year 1951, about $930 million of direct economic aid was allotted to the continental European NATO countries (excludes Western Germany, Greece and Turkey), while their military efforts totalled $3.5 billion. For Fiscal Year 1952, about $860 million of direct economic aid has been requested of the Congress to be used primarily

to support a $5.2 billion military effort by these countries. For the United Kingdom about $300 million of economic aid was allotted in Fiscal Year 1951, while its military effort amounted to $2.5 billion; no economic aid has been specifically requested for Fiscal Year 1952; although the UK military effort is expected to rise to $3.8 billion. Economic aid to Western Germany is expected to drop from $385 million in Fiscal Year 1951 to $175 million in Fiscal Year 1952; while Germany's military effort (in the form of occupation costs in Fiscal Year 1951) is expected to rise from $1.2 billion in Fiscal Year 1951 to $2.1 billion in Fiscal Year 1952.

9. For the European NATO countries (including Western Germany), taken as a group, Gross National Product (GNP) is expected to rise by 5.5 percent; from $126 billion in Fiscal Year 1951 to $133 billion in Fiscal Year 1952. Per capita consumption, which had on average reached prewar levels by Fiscal Year 1951, is expected to rise further by an average of 1.6 percent in Fiscal Year 1952. These averages, of course, do not bring out substantial differences between countries or social groups within the various countries. In the UK, the lower wage earning groups are estimated to be consuming as much as 10 percent more than before World War II. In the major continental countries, France, Germany, and Italy, the lower wage earning groups are still earning substantially less than prewar and have not made gains proportionate to national averages.

10. The military assistance programs for the European countries, including relatively small stockpiles in Fiscal Years 1950 and 1951 for Austria and Yugoslavia and a $782.4 million equipment stockpile (primarily for Western Germany, Spain and Yugoslavia) for Fiscal Year 1952, are summarized in Table 1. United States end-item assistance already programmed through Fiscal Year 1952 to meet requirements of the MTDP totals about $10 billion and is related primarily to the unit equipment requirements for forces to be available by July 1, 1952.

11. The combined Fiscal Years 1950 and 1951 Army programs provide the major items of equipment for 28 divisions. Upon the completion of the Fiscal Year 1952 Army program, together with the Fiscal Years 1950 and 1951 Army program, the United States will have helped to complete the full equipment of 21 divisions, furnished major items of equipment to 24 additional divisions, and will have provided the essential training equipment for 10 more divisions.

12. Owing to the outbreak of hostilities in Korea and the substantial consumption of equipment in consequence, deliveries of military equipment have been below expectations and still further below the level of essential requirements. As a result, the problem of meeting the force requirements of the NATO countries is becoming one of equipment rather than one of manpower. There is a growing reluctance through-

out Europe to call up men for military service without definite assurance that equipment will be available with which to equip and train them.

13. Deliveries of equipment, however, are accelerating; and deliveries of Army equipment, financed with Fiscal Years 1950 and 1951 appropriations, are expected to be completed by June 1952. Recently established targets call for deliveries of the Fiscal Year 1952 program (provided funds are appropriated soon) by December 31, 1952, with the exception of certain aircraft and other items requiring long periods of production. It must be emphasized, however, that the ability to hold these delivery schedules depends greatly on the trend of defense production in the United States.

TABLE 1

TITLE I—MDAP

*Status of Military Assistance Programs*

| Fiscal Year | Approved Materiel Program | Estimated* Obligations as of 6-30-51 | Shipments to Port | | |
|---|---|---|---|---|---|
| | | | Charged to Appropriation | Acquisition Cost of Excess | Total |
| 1950 | 856,141,560 | 915,224,696<br>†93,845,413 | 459,405,641 | 237,940,957 | 697,346,598 |
| 1951 | 3,778,883,456 | 3,569,877,248 | 82,360,022 | 40,463,237 | 122,823,259 |
| 1952 | ‡4,829,915,902 | | | | |
| Total | 9,464,940,918 | 4,578,947,357 | 541,765,663 | 278,404,194 | 820,169,857 |

B. *Extent of Accomplishment*

14. In the last analysis, the preponderance of the world's economic strength is presently available to Western Europe and to North America; and this strength, if properly mobilized, can swing the balance of military power in favor of the free nations. The machinery for effecting this mobilization, and its conversion into combat-ready forces, has been created and is in operation. As this process gains momentum and as new nations are associated in the undertaking; real military strength will grow and, in growing, should remove the factors which have underlain defeatism and neutralism in some European countries.

15. Viewed from the vantage point of total estimated costs of mounting the required defense effort, however, only the lesser part of the total job has been done. On the basis of optimistic assumptions con-

*Includes matériel, training and administrative expenses. [Footnote in the source text.]

†No-year ship construction account; not possible from information available to break out to fiscal year. [Footnote in the source text.]

‡Proposed matériel program. These data do not include costs of training, transportation, or administration. The data understate the amount of matériel procured; since equipment in excess of U.S. requirements is acquired by the MDAP at rehabilitation cost. The Fiscal Year 1952 program also includes matériel for stockpiling needs (Western Germany, Spain, and Yugoslavia). [Footnote in the source text.]

cerning economic aid in Fiscal Year 1952 and defense efforts by the European countries, it is estimated that the European military efforts in Fiscal Year 1951 and Fiscal Year 1952, combined with expected MDAP deliveries (not obligations) of military equipment in the same two years, will accomplish roughly 30 percent of the estimated total four-year military cost, excluding United States and Canadian force contributions to the MTDP. Under less optimistic assumptions concerning economic aid and European defense efforts, the progress over the first two years toward the MTDP goals may be slightly over 25 percent. Owing both to the slowness of MDAP equipment deliveries and to the failure sufficiently to activate European armament production; less than 24 percent in financial terms, of the MTDP equipment requirements will become available by the end of Fiscal Year 1952. The implications of these developments are discussed in Section D, below.

C. *Difficulties Being Encountered*

16. Considerable and encouraging progress has been made in building economic and military strength in Western Europe, but more can and must be done by the European countries, particularly the current and prospective members of NATO. The means for surmounting these difficulties are under study in the ISAC.

17. As a preface to the specific difficulties which are indicated below, it is important to observe that serious economic difficulties are inherent in a program of the magnitude undertaken by the adoption of MTDP. This does not imply that all the difficulties are economic, either immediately or ultimately; the effectiveness of NATO and the Supreme Commands would present serious difficulties, German participation would remain a problem, the implications of large Communist votes would still be cause for worry, adherence of new members would be a thorny problem, and the problems of coordinating and regularizing the activities of sovereign states joined together in an alliance would remain, even if the cost of MTDP were much smaller. But a large portion of the difficulties with which the U.S. Government must preoccupy itself, and, in fact the principal difficulties relating to the successful accomplishment of the assistance program, result from the fact that the minimum security goals are of a size to tax the capacity of European Governments to mobilize economic resources and the willingness of populations to accept heavy economic sacrifices.

18. Major difficulties are set forth below in summary form:

*a.* Lack of a sufficient sense of urgency among some of the peoples and governments of the continental European countries has discouraged their parliaments from financing adequate defense efforts.

*b.* The existence of national barriers has resulted in a lack of sufficient economic and military cooperation which, if remedied, might well provide more effective defense efforts over the long-term.

*c.* Inadequate administrative strength in the NATO, including weaknesses inherent in 12-power committee action with the rule of unanimity.

*d.* The generally poor economic efficiency of continental Europe characterized by low productivity, mal-distribution of income and inability of governments to mobilize resources for defense purposes reduces the European capability to mount a larger defense effort.

*e.* The present threat of inflation and the historic incapacity of certain European countries to suppress it constitute both a psychological and economic handicap.

*f.* Increasing shortages of raw materials and their efficient allocation to most essential purposes are beginning to handicap industrial mobilization.

*g.* All of the foregoing factors tend to inhibit essential increases in (1) the production of military end-items despite the availability of unutilized physical capacity, and (2) the construction and modernization of infra-structure facilities.

*h.* The volume and rate of military equipment deliveries by the United States have been below expectations and still further below the level of essential requirements. As a result the incentive to raise the forces on schedule is being weakened.

D. *Adequacy and Timing*

19. The Medium Term Defense Plan is the standard for evaluating the adequacy and timing of the defense efforts of the NATO countries and the United States economic and military aid programs related thereto. The standard, itself, requires comment:

*a. Estimated Cost of the MTDP and Its Implications.*

(1) *Estimated Cost.* Recent study by the U.S. of the cost of MTDP indicates that the plan, if carried out as scheduled, together with non-NATO military costs of European NATO countries, would involve a total cost over the four years from mid-1950 to mid-1954 of approximately $72 billion, divided into $40 billion of major material requirements and $32 billion of other costs (troop pay and maintenance, training, construction, soft goods and consumable supplies other than ammunition): of the major matériel cost about $9 billion represents war-reserve stocks. These cost figures include costs of German participation and exclude costs of U.S. and Canadian troops that would be included in the MTDP forces under JCS plans.

(2) *Present cost estimates higher than those given in Annex 2, NSC 68/3.* The NSC 68/3 estimates were derived, in the absence of direct data on country requirements, from the application of certain general cost factors to the total military program: the recent estimates have been based on data submitted by countries to the Military Standing Group. No detailed comparison of results can therefore be made, but the principal elements of difference that can be separately identified are the following:

(a) Germany, though included in both estimates, was included *within* the NATO requirements, shown in NSC 68/3 and is presently considered *additional* to the total forces contemplated at the time of NSC 68/3;

(b) Present study includes an explicit allowance for war reserve, the NSC 68/3 study was done on the basis of peace-time maintenance in the absence of country data on war reserve requirements;

(c) Non-NATO costs, principally in major matériel, for France and UK have been revised upward on the basis of data submitted by those countries.

Other elements in the difference, such as changes in price assumptions, etc., cannot readily be identified separately. Present estimates are based on U.S.-screened cost estimates submitted to the Standing Group by the individual countries. It should be observed that elements (a) and (b) in the change of cost estimate really represent modifications in the definition of MTDP and its initial armament objectives, rather than revisions in cost calculations.

(3) *Estimated Remaining European Deficiency.* Recent study of the "Scope, Duration and Feasibility of the NAT–MTDP and Related U.S. Assistance" (ISAC D–4/7a),[4] indicates that over the 4-year period of MTDP the European NATO countries might devote something of the order of $40 billion of resources to defense, assuming U.S. economic aid of $5 billion over the four-year period (i.e., approximately $1.2 billion for each of FY 1953 and 1954). U.S. end-item assistance already programmed through FY 1952, i.e., for which appropriations have been received or requested of the Congress to date, total about $10 billion. Thus the remaining estimated European deficiency, which U.S. end-item assistance in FY 1953 and 1954 will assist in overcoming, is between $20 and $25 billion; minimum economic assistance of some $2.5 billion for the last two years of MTDP makes the general order of magnitude of the total remaining European resources deficiency about $25 billion. It may be noted that end-item and economic aid in FY 1953 and 1954 at the same annual rate as requested for 1952 would amount to half the estimated deficiency, leaving uncovered an amount equal to approximately one-sixth of the total 4 year cost of European defense.

It is fair to state that the magnitude of the problem of meeting the MTDP according to the above estimate, is greater than had been anticipated by ISAC and greater than the other members of NATO are probably aware.

(4) *Multilateral Consideration of the Problem.* The U.S. evaluation of the problem summarized above, although based largely on the separate cost estimates of the individual NATO countries, has not been made known to the other members of NATO. It is unlikely that adequate progress toward NATO goals can be made without multilateral consideration of the problem sometime during the present calendar year, such multilateral consideration being guided largely by U.S. leadership. It is unlikely that progress can be made toward additional force commitments under MTDP in the absence of realistic consideration of the total cost of MTDP and the distribution of that cost among members. Plans are well advanced in ISAC and the related regional orga-

[4] For an extract from document ISAC D–4/7a, "Scope, Duration and Feasibility of the NATO Medium Term Defense Plan," June 20, 1951, see vol. III, p. 193.

nization (ECC) to place this problem before NATO for multilateral consideration.

(5) *Consequences of a failure to meet adequately the MTDP.* Regarding the possibility of failure to meet substantially the MTDP two points should be recognized. (a) In the event that MTDP as a strategic concept were adhered to, while accomplishment under the Plan were to fall significantly short of goals, proper force balance would probably require some measure of deliberate planning for such a shortfall in order to make most effective use of the resources contributed. (b) Abandonment of MTDP as the basic strategic concept and its replacement by a less adequate military plan would, aside from its military significance, be a severe shock to European morale and the North Atlantic Treaty organization.

*b. Possible Ways of Meeting the Deficiency in the MTDP.*

The following are the various conceivable ways in which the deficiency could be met:

(1) U.S. end-item and economic aid in FY 1953 and 1954.

(2) European economic efforts greater than those estimated above.

(3) Reduction of Cost of MTDP by modification of forces and equipment.

(4) Postponement of target dates for MTDP.

(5) Larger U.S. force contributions than currently proposed by JCS.

(6) Revisions in cost estimates.

(1) *U.S. Assistance.* As indicated above, U.S. end-item and economic assistance for FY 1953 and 1954 at the annual rate requested for 1952 would supply approximately half the estimated deficiency. In this connection, it should be noted that the President has authorized public statements before the Congress to the effect that at least the amounts of funds requested for the European NATO countries in the proposed Fiscal Year 1952 program will be required in Fiscal Years 1953 and 1954.

If U.S. assistance were to provide for the entire deficiency, substantial modifications in the techniques and principles that govern U.S. assistance would probably prove necessary. A major difficulty would arise from the conflict between the provisions of such large-scale aid in the form of military equipment and the strategic and economic importance of developing European production of such equipment. It should be noted that meeting the entire deficiency by provision of end-items would lead to U.S. provision of about 80% of European major material requirements. The strategic and economic importance of the implied dependence on U.S. supply are great, and would probably make advisable the provision of substantially larger amounts of economic aid in place of end-item assistance. Such "economic" aid might take the form of "soft" end-items provided to military establishments, of U.S. end-item procurement from European production and associated European imports financed with the dollar proceeds of such procurement, or economic aid of the kind currently being programmed. It seems clear that no form of purely "financial" assistance, unassociated with a transfer of real resources, could be undertaken in amounts of several billion dollars without inflationary effects too serious to be

allowed. In practice, putting into Europe a very large increase in current amounts of economic aid would probably involve both sizeable increases in total imports of real goods and sizeable increases in European dollar reserves. Even though a program of U.S. assistance comparable to the entire estimated deficiency would perhaps entail some modifications in aid techniques, the larger part of U.S. assistance would still necessarily be in the form of military equipment, and the problems of U.S. supply must be considered.

Problems of supply are likely to prove serious in any case. Raw material availabilities, and in some cases Technical Assistance, patent assistance, etc., will be important in permitting Europe's accomplishment of its part; the major problem for the U.S., however, will be in the assignment of U.S. munitions production to NATO. The magnitude of the European deficiency indicated in the figures given above points to the demands that will be made on U.S. munitions output if the NATO build-up is to be accomplished on schedule.

In considering the problem of supply it is important to take account of the close relation between equipment deliveries during the MTDP period and the effectiveness of, and incentive for, the training of European troops. This relationship is an aspect of the fact, referred to above, that MTDP timing is not solely a question of terminal date but involves important intra-period schedules.

It is clear that U.S. assistance of an amount sufficient to meet all or nearly all of the 25 billion dollar deficiency would involve serious difficulties with the Congress.

(2) *European Defense Expenditures.* The estimate of European military expenditure over the four year period, given above as a round number $40 billion (for which about $5.0 billion of economic aid will be needed), represents the assumption that U.S. negotiating targets for European defense budgets are met in 1952 and significantly increased in each of the succeeding years. They are consequently on the high side of "probable" and permit no easy solution to the deficiency problem by the assumption of greater European efforts. Indeed, in the absence of a major change in the character of European moral and political cohesion, it is doubtful whether U.S. persuasion and negotiation can lead to anything in excess of the $40 billion neighborhood, although this figure is in no sense suggested here as a negotiating target.

Defense expenditures of that magnitude would average without regard to the peaking of defense efforts in Fiscal Years 1953 and 1954, 9 or 10 percent of GNP for the group of countries; 8 or 9 percent if the assumed U.S. economic aid of slightly over a billion dollars per year is deducted from the defense outlays of European governments.

This effort, if actually realized, must be judged a creditable effort. It will imply for most of the countries serious inflationary problems, tax levels equal to or greater than that of the U.S. in proportion to GNP, the unlikelihood of such improvement in consumption standards for an indefinite period, and a good deal of resolution on the part of governments. It is not by any standards, however, an "all-out" mobilization effort comparable to the military outlays of Britain and Germany or the U.S. during the war, or comparable to the effort of the Soviet Union now.

Even if United States negotiating efforts might be successful vis-à-vis European governments, it is doubtful whether the U.S. would be wise in attempting to induce the Europeans to fill the deficiency out

of their own resources sufficiently to permit U.S. aid to be less in FY 1953 and 1954 than the amount requested for FY 1952.

Of great significance in obtaining from the Europeans the efforts of which they are capable is the manner in which U.S. assistance is related to and conditioned on European performance. Two major and difficult problems whose solutions are urgently needed are the manner in which end-item assistance is related to a country's capacity to finance and carry out procurement of end-items in Europe, and the extent to which the U.S. may engage in direct procurement in Europe of end-items whose production there is economically and strategically sound. Both of these are part of a more general problem, which is that of bringing all elements of U.S. assistance programs into a general understanding on total U.S. assistance in relation to total country performance, in order to maximize the utilization of European manpower and economic sources for defense, promote the independence of Europe from external aid for the maintenance and support of their forces after completion of MTDP, and minimize the impact of U.S. assistance on the U.S. economy. As long as this problem is unsolved U.S. negotiating strength will not be most effectively utilized. It is fair to state that the size of the effort required itself makes such clear-cut negotiation difficult.

In conclusion, the possibility of greatly expanded European defense expenditures over those already assumed in the estimates cannot be excluded; but it would be unwise to make security plans that are contingent on figures more optimistic than those contained in the above estimates.

(3) *Modifications in MTDP.* During the course of this summer, SHAPE and the other NATO Supreme Commands are reviewing the military requirements under MTDP. General Eisenhower is aware of the increased necessity, in the light of the above estimates, of examining carefully all requirements with a view to effecting such economies in cost as can safely be accepted. It may be hoped that such a re-examination will lead to reductions in some requirements and hence in the total cost.

Aside from the elimination of superfluous costs, however, it must be recognized that economy will generally mean reduced effectiveness of available forces on target dates. In general, the possible ways of effecting economies would be: reduction of quantity or quality of equipment of forces, reduction of war reserves, reduction of training, reduction of troop levels, or deferment of target dates. It cannot be stated at the present time to what extent some of these ways may be taken to reduce the total cost without grave damage to the basic Plan and the objectives it is to serve.

(4) *Postponement of Target Dates.* In the event of deferment of certain target dates, the above estimates would be revised somewhat. Spreading the build-up over a longer period would increase the total expenditure that might be expected from the Europeans, since part or all of an additional fiscal year would be available in which to meet some of the costs. The net gain, however, in financing would be less than the additional total expenditures that could be expected, inasmuch as the recurring costs of maintaining forces would be involved in the extension period in excess of any prior savings through slippage. Spreading U.S. aid over a longer period would similarly reduce the annual cost of the build-up. Thus, technically, the assistance programs

for NATO Europe are principally of the capital investment type and susceptible of postponement. On the military merits of such deferment, however, there has been no occurrence within the purview of ISAC that reduces the urgency of the original target dates.

It seems clear from the foregoing discussion of this paper that no significant acceleration of the MTDP build-up can reasonably be expected to be accomplished.

(5) *U.S. Force Contributions.* The considerations surrounding the question of a larger U.S. force contribution to NATO go beyond the scope of this paper. Suffice it here to point out that any change in U.S. force contribution affects the size of the European deficiency, although, in terms of cost, probably by much less than the cost of additional U.S. troops in NATO. Since it is unlikely that the relative costs would be a major factor in a decision on U.S. forces for NATO, the above is stated only as an implication of such a decision.

(6) *Revision of Cost Estimates.* The range of error in the cost estimates given earlier can be of significant magnitude. Prices are uncertain, scales of production will change, and decisions on troop pay, etc., remain to be taken in several countries. The total cost could vary by perhaps $5 billion with no change in programs, i.e., through cost-price factors alone. This change could be in either direction.

*c. Preliminary Conclusions.*

If the overriding objective is the military build-up of the size and by the dates contained in the MTDP, the U.S. must be prepared to provide assistance after FY 1952 in an amount whose outside limit can now be set only at about $25 billion. To the extent that adjustments in the military plan permit cost reductions or extended target periods this amount can be less; to the extent that European morale and political cohesion improve it may be less. Nevertheless, it is probable that U.S. assistance may be required during FY 1953 and 1954 at an average annual rate greater than that requested of the Congress for FY 1952 if the program is to be substantially accomplished on schedule. The bulk of the funds would have to be obligated during FY 1953 in order to permit the necessary flow of deliveries in 1953 and 1954, and the funds required to be obligated by the end of FY 1953 would be substantially larger than the appropriations requested for FY 1952.

Studies are now under way to re-examine the MTDP requirements and to refine the basic elements of the plan. Until these studies are completed and reviewed, the United States does not have a firm basis for considering modifications in the plan or determining the feasibility of accomplishing the MTDP in full by the target date. However, no development in the world situation is considered by ISAC to have diminished the importance or urgency of completing the MTDP by the target date.

20. *Note on the MTDP in FY 1955.* As originally formulated, and as it stands today, the MTDP is a program of military build-up to be completed in the middle of 1954. It is to be followed by a period of maintenance of force levels. The annual recurring costs of the program after completion of the initial training and equipment, i.e., after 1954, are estimated at an amount that could approximately be borne by the European members; although U.S. aid may be required in

549-782—79——25

small amounts after 1954, since the burden of supporting forces will fall disproportionately heavily on certain countries, notably France. Certain types of equipment would have to be supplied physically from the U.S. Completion of MTDP should consequently be expected to produce a sharp drop in U.S. assistance during FY 1955.

21. In the event of modification of some of the target dates, U.S. assistance could to some extent be spread over the longer period.

22. *Note on Yugoslavia.* The continued independence of Yugoslavia from Soviet control has meant the subtraction of the Yugoslav armed forces (about 30 divisions) from the military power of the Soviet bloc and their addition to the forces opposed to Soviet aggression; relief from great pressure on Greece and Italy; and the strengthening of our whole position in the Mediterranean and the Near East. The break with Russia in 1948 also provided us with the important political benefit of a breach in the solid front of Communist nations and thereby challenging the Soviet grip on world Communism.

23. Programs of action have changed in response to developments. Substantial economic aid was furnished to Yugoslavia in Fiscal Year 1951. Economic aid requirements for Fiscal Year 1952 were studied by the United States, United Kingdom and France. The program for Fiscal Year 1952 involves U.S. assistance in the amount of $60 to $80 million; and the U.K. and France are also contributing aid on an agreed sharing arrangement.

24. In NSC 18/6 [5] the United States envisaged the possibility of furnishing military aid to Yugoslavia in the event of Soviet or satellite attack; and $77.5 million in Fiscal Year 1951 was set aside for stockpiling equipment. Military aid for Fiscal Year 1952 is being programmed on the basis of consultations with the British and French; and in the near future, with Yugoslavia. A specific amount of funds has not yet been determined, the legislative proposals, however, include a request for funds to stockpile equipment for countries, including Yugoslavia, not presently eligible to receive military assistance.

25. *Note on Spain.* Decisions have yet to be made regarding the exact form, amount and timing of our assistance programs to Spain. Much will depend on Spain's performance as a result of the recent talks in Madrid. Moreover, the political reactions of our NATO partners have to be evaluated closely; since the initial reactions from abroad were severe and these governments must be convinced that we are not pre-occupied with the concept of retreating behind the Pyrenees in the event of hostilities. The magnitude and character of the problem of meeting MTDP requirements, outlined above, suggests that strict limits should be set to the amount of military assistance which we should undertake to furnish in Fiscal Year 1953.

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[5] For NSC 18/6, "The Position of the U.S. With Respect to Yugoslavia," March 7, 1951 (approved by the President on March 12), see volume IV.

## III. THE NEAR EAST AND AFRICA

### A. *Status of Assistance Programs*

26. In Fiscal Year 1951, the assistance programs for the Near East and Africa, including Greece and Turkey, were similar in magnitude and form to those given in NSC 68/3. Both the proposed Fiscal Year 1952 military and economic aid programs, however, are larger than estimated in NSC 68/3. Assistance programs were increased in Fiscal Year 1952 to meet the objectives set forth in NSC 47/5.[6] The proposed Fiscal Year 1952 program contemplates grant military assistance up to 10 percent of such funds available in Title II of the draft Mutual Security Act to the Arab States and Israel. In addition, on the military side, the Executive Branch decided that the Fiscal Year 1952 programs should provide for the acceleration of the re-equipment and modernization schedules for Greece and Turkey and for augmenting the supply of military equipment to Iran in Fiscal Year 1952. Economic aid programs for Greece and Turkey have also been adjusted in order to take account of their defense requirements.

27. Fiscal Year 1952 economic programs for the Near East were expanded to meet three emerging situations: (*a*) improved possibilities for a solution of the Arab refugee problem, (*b*) deterioration in the economic capabilities of Israel during a period of rapid economic development and heavy absorption of immigrants, and, most significantly, (*c*) the greater currency being given in the Arab world to the defeatist policy of neutralism in international relations. It is emphasized, however, that there is a mounting political crisis in Iran which, if not resolved, could adversely affect the whole structure of relationships between the Near East and the West.

### B. *Extent of Accomplishments*

28. Our assistance programs for the Near East and Africa have achieved impressive results; even though they have not been entirely successful in preventing or arresting a general deterioration in the Near Eastern political and economic situation. Greece and Turkey are solid bastions of strength in the Eastern Mediterranean; and Turkey, in particular, is a model to the Arab World of the benefits to be derived from close cooperation with the United States. Far from sliding into a policy of neutralism, Turkey is insisting upon entering into fully developed mutual security arrangements with the North Atlantic Treaty powers. The economic situation in both Greece and Turkey is slowly improving in spite of heavy defense burdens and, in the case of Greece, the devastation of foreign and civil wars.

29. During the past fiscal year, important progress has been made in laying the foundation for an ultimate solution of the Arab refugee

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[6] For NSC 47/5, "U.S. Policy Toward the Arab States and Israel," March 14, 1951 (approved by the President on March 17), see volume v.

problem with the assistance of UN agencies. This development, if carried to completion, will assist in removing a significant cause of tensions in the area.

30. The Dhahran Air Base agreement was renewed and the Saudi Arabian Government is going forward with its plans to increase its defensive strength. A joint United States military mission is currently discussing the matter in Saudi Arabia. Arrangements are also being completed for the acquisition of facilities in Libya.

31. Both the economic and military assistance programs have played an important part in keeping the Iranian situation from getting out of hand. Projects, such as locust control, financed with Point IV funds have demonstrated to the Iranian people the benefits of United States aid. Prompt deliveries of military equipment to Iran have bolstered the confidence of the Army and helped to ensure its loyalty to the Shah.

C. *Difficulties Being Encountered*

32. The basic difficulties which hamper the attainment of our program objectives in the area are political in character. The distressing poverty endured by the majority of the people in an area rich in oil resources provides an excellent opportunity for agitation by extremists; and paves the way for violent political action. The growing acceptance of neutralism on the part of the Arab States reflects the confusions and tensions which prevail among their peoples and governments. Our ability to overcome these difficulties is limited by acts of obstruction on the part of certain European nationals to the conduct of United States activities in the area and by the caution the United States should exercise in dealing impartially with the Arab States and with Israel.

33. Our relations with Iran and Syria have weakened and special measures will probably be required to improve them. The friction between the British and Egyptian Governments may involve the United States.

34. As a result of these political developments and as a general consequence of the low level of administrative competency of many governments in the area, it is extremely difficult to get assistance programs properly formulated and executed. This is particularly true of economic and technical assistance programs. In addition to procrastination and delay in the development of programs, it is proving difficult to overcome the reservations on the part of the Arab States to undertake the minimum commitments required to initiate assistance programs.

35. It is anticipated that the proposed Fiscal Year 1952 program of military aid for the Arab States and Israel will be extremely difficult to administer, since it will raise in acute form the distribution of aid as between the Arab States and Israel and will require adequate

assurances regarding military roles and missions and the use to which such equipment should be put. The political advantages which will accrue from the successful accomplishment of this task, however, justify the risks involved in furnishing military equipment to the Arab States and Israel.

D. *Adequacy and Timing*

36. The proposed Fiscal Year 1952 military aid program is believed to be adequate; but it should be noted that, as the attached table indicates, this program is substantially larger than the one given in NSC 68/3 and the military aid program contemplated for Fiscal Year 1953 is twice the size of the one given in NSC 68/3. Thereafter the presently proposed programs are of the general order of magnitude as those given in NSC 68/3. As indicated in Section A, above, the revised military aid programs are designed to accelerate the modernization and replacement of the equipment of Greek, Turkish and Iranian forces and to provide for grant military assistance to the Arab States and to Israel.

37. In view of the adverse trend of developments in the Near East and Africa (excluding Greece and Turkey), serious questions arise as to the adequacy of the proposed economic aid programs. Israel's foreign exchange position has dropped more than expected. Israel is floating a $500,000,000 bond issue which, if it progresses successfully, will relieve the need for large amounts [of] grant assistance this year. Borrowing in that magnitude will, however, impair Israel's capacity to service additional loans. The main problem, however, concerns Iran and the possibility that the course of events taking place there will spread to other countries in the area. The present program was based on the assumption that Iran would continue to obtain substantial foreign exchange revenues in connection with oil production and export. The outcome of the oil controversy is still uncertain.

38. The timing of our assistance programs to countries in this area presents special problems. When new or revised programs are established, lasting political advantages are more likely to be obtained if performance becomes evident soon after announcement is made. Economic and military aid programs for the Near East, particularly for Iran, the Arab States, and Israel, should be executed promptly.

39. Moreover, if Greece and Turkey become full members of the NATO, priorities on deliveries of military equipment to NATO countries will apply to Greece and Turkey. This change in political status will probably not affect the volume of deliveries appreciably.

40. In addition to the proposed assistance programs for Turkey, a suggestion has been made that further aid be furnished to Turkey to enable that country to raise an additional six divisions at an initial cost of about $110 million for equipment and an annual cost of about $50 million for maintenance and support. This suggestion has not been

recommended by any government agency and it has not yet come before ISAC for consideration.

41. Apart from the continuing assistance programs for Greece, Turkey and Iran, most of the programs for other countries in the area have only recently been proposed or initiated; and therefore there is little scope for postponing or delaying the rate of implementation. On the contrary, it is important, in light of the deteriorating situation in the area, to augment and accelerate our assistance programs.

TABLE 2

(Preliminary)

*Near East and Africa: Military Assistance Programs*

*Note:* Figures for future periods represent purely preliminary and tentative estimates, not yet reviewed by ISAC.

| *Fiscal Year* | *NSC 68/3 Estimate*§ | *Present Estimate* |
|---|---|---|
| 1951 | 325.9 | 309.5 |
| 1952 | 271.3 | 415.0‖ |
| 1953 | 287.4 | 596.8 |
| 1954 | 262.4 | 292.0 |
| 1955 | 242.2 | 236.4 |

TABLE 3

(Preliminary)

*Near East and Africa: Economic Assistance Programs*

*Note:* Figures for future periods represent purely preliminary and tentative estimates, not yet reviewed by ISAC.

| | Fiscal Year 1951 | | Fiscal Year 1952 | | Fiscal Year 1953 | |
|---|---|---|---|---|---|---|
| | NSC 68/3 Estimate | Present Estimate | NSC 68/3 Estimate | Present Estimate | NSC 68/3 Estimate | Present Estimate |
| *Near East* (Other than Greece and Turkey) | | | | | | |
| Grant | 30 | 32.9 | 65 | 125 | 80 | NA |
| Loan | 75 | 76.5¶ | 90 | NA | 60 | NA |
| Other | | | | (55)** | | |
| Total | 105 | 109.4 | 155 | ------ | 140 | NA |
| *Africa* | | | | | | |
| Grant | 38 | NA | 38 | ------ | 25 | NA |
| Loan | 29 | 41.3 | 30 | ------ | 45 | NA |
| Other | | | | (55)†† | | |
| Total | 67 | ------ | 68 | ------ | 70 | NA |
| Greece and Turkey†† | | | | 320 | ------ | NA |

§Includes only Greece, Turkey and Iran. [Footnote in the source text.]

‖Beginning in Fiscal Year 1952 it is proposed that up to 10 percent of the funds made available for military assistance in Title II of the Act may be used to furnish military equipment to Israel and the Arab States. [Footnote in the source text.]

¶Includes $25 million for Iran which has not been ratified by the Iranian Parliament. [Footnote in the source text.]

**ECA estimate of funds requested for development of strategic materials in Fiscal Year 1952, a large portion of which will be spent in dependent overseas territories in Africa. [Footnote in the source text.]

††Economic aid for Greece and Turkey is included in Title I of the proposed Mutual Security Act. [Footnote in the source text.]

## IV. THE FAR EAST AND THE PACIFIC AREA

### A. *Status of Assistance Programs*

42. In the area which comprehends the extended land mass on the southern flank of the USSR and Communist China, stretching from Afghanistan to Indochina, augmented by the off-shore island chain running from Indonesia to Japan, and also including the Korean peninsula, the United States is striving to turn back the forces of Communist expansion; to attach and retain the peoples and governments of this territory within the free world; to encourage nationalistic aspirations for independence; and to promote internal security and the development of economic well-being. Progress is being made toward these objectives. Assistance programs (other than United States participation in UN military activities in Korea) designed to achieve these objectives amount to about $700 million in Fiscal Year 1951 and $930 million in Fiscal Year 1952.

43. The aggregate costs of assistance programs for countries in this area in Fiscal Year 1951 and 1952 will be slightly larger than estimated in NSC 68/3, Annex 2, if the emergency food loan to India and the partial payment (about $160 million or about 50 percent of the total of such expenses) of U.S. troop expenses in Japan are included. (See Tables 4 and 5). Estimated requirements have risen slightly because (*a*) objectives have been revised upward (NSC 48/5),[7] (*b*) an emergency food scarcity appeared in India, (*c*) active military operations in Indochina in the Fall of 1950 required immediate replacement of equipment and supplies (much of which the United States furnished) which was expended in repulsing the Soviet-supported Viet Minh and (*d*) larger amounts of military equipment and funds than originally scheduled were furnished to the Philippine Army to increase its effectiveness against the Huks.

44. Overall grant economic assistance programs will be less in Fiscal Year 1951 and 1952 than estimated in NSC 68/3. The chief reasons for the decline in the aggregate amount of economic grant aid programs are (*a*) the switch from grant aid to partial payment for U.S. troop support in Japan and (*b*) the reduction in grant aid programs to South Asian countries arising both from delays in initiating those programs and administrative difficulties in carrying out economic development programs.

### B. *Extent of Accomplishments*

45. Real progress is being made in achieving our program objectives. It should be recognized, however, that the hostile forces at work in the area remain strong; and they threaten external aggression and make for internal instability. At the moment these hostile forces have

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[7] For text of report NSC 48/5, "U.S. Objectives, Policies, and Courses of Action in Asia," approved by the President on May 17, 1951, see vol. VI, Part 1, p. 33.

lost some of their preponderance of strength, but much remains to be done and it is too early to predict that a definite trend has been established. The timely arrival of military assistance enabled the French and native forces in Indochina to repulse the Viet Minh and to save the Red River delta area of Tonkin. There is now hope that mass starvation can be averted in India, and the basis appears to be emerging for a firmer orientation of India to the West. Japan is being strengthened and encouraged to become a participant on the side of the free world in the struggle against aggression. The internal security situation in the Philippines is improving. In many countries in this area, economic and technical assistance programs are touching the lives of individual citizens and demonstrating in tangible ways the interest of the United States in improving their standard of living. On another plane, the efforts and sacrifices of United States forces in Korea demonstrate to the peoples of Asia that the United States is determined to preserve the independence of nations and to halt the process of Soviet inspired aggression. As a result of these developments, countries which have aligned themselves with the West are more confident and stronger; and those countries which adopted a neutral position are seeking, without explicitly abandoning their official position, to concert their policies more closely with those of the free world.

46. As indicated in Section D, below, our programs of assistance in Asia and the Pacific are primarily designed to arrest deterioration and to establish a firm base on which more far reaching development programs and increased military strength can be built in the near future. Accomplishments cannot be related quantitatively at this time to precisely defined goals as in the case of the NATO countries.

C. *Difficulties Being Encountered*

47. Significant difficulties are being encountered in gaining our program objectives in Asia and the Pacific. Many of them are inherent in any positive action program for Asian countries. The fundamental problems are political and psychological and concern Asia's estimates of the long-term correctness, resoluteness and constancy of United States policy on the one hand, and on the other hand, the intentions and capabilities of the U.S.S.R. and Communist China. Many of the peoples and governments of Asia are not yet fully convinced that the interests of the United States coincide with theirs; and that our policies will continue to work for their benefit. As raw-material producers, for example, they are unclear about our intentions toward their schemes for industrialization which they associate with their advancement from a colonial status. There are also enough diversities among the interests of countries in the area so that a major United States policy, regardless of the care with which it is formulated, is likely to bring adverse reactions from particular countries; e.g., the response of

the Philippines to the proposed Japanese Peace Treaty or the querulous concern of the French authorities in Indochina about the impact of our economic assistance to the native governments on French relations with those governments. Moreover, almost every government in the area fears invasion by U.S.S.R.-directed forces and therefore is careful to avoid taking many actions which are urged by the United States to make our aid programs fully effective. This caution on the part of Asian governments is too often accompanied by administrative inexperience and, in some instances, by incompetency in government. Our economic assistance programs, in particular, are hampered by ineffective administration in the recipient governments.

48. Closely allied to the difficulties of a political and psychological character are those inherent in the immediacy of armed conflict and the proximity of the aggressor, with the consequent lack of physical security in many countries in this area. Military operations continue in Korea and Indochina. Insurgency and armed political activity are serious problems in Burma, Indonesia and the Philippines. Deterioration of internal stability is an ever-present threat in many countries in the area. As a result, security problems require so much of the governments' attention that they are hampered in making the best use of economic assistance.

49. Furthermore, the impact of U.S. military aid programs on economic requirements is not subject to accurate prediction; for example, the training and build up of forces to maintain security bring increases in defense costs and complicate the fiscal problem. Moreover, as additional territory is rendered secure, the task of economic rehabilitation is increased.

50. Real difficulties have arisen because of material and personnel scarcities and shortages in the United States, and the priorities assigned to exports of materials. Serious delays have been encountered in securing adequately trained personnel, who are adaptable to work in Asian countries, especially for technical assistance assignments. In South Asian countries, in particular, the Fiscal Year 1951 economic and technical assistance programs got off to a late and relatively small start and lowered the base upon which developmental activities in Fiscal Year 1952 could be eradicated [*predicated*]. If, as now seems probable, the Fiscal Year 1952 economic program for South Asia does not get under way until well along in the fiscal year and there is a resultant delay in the organization of the larger project contemplated, it will probably be necessary to intensify the United States assistance effort in Fiscal Year 1953. Material shortages, both for economic and military uses, are hampering the fulfillment of program objectives for almost all countries in the area, with the possible exceptions of military equipment to Indochina and Formosa which were assigned high priorities. The problem is acute for Asian countries because supply

lines are long, transportation problems are serious, and accomplishments, in the eyes of Asian governments, are measured in terms of supply deliveries.

D. *Adequacy and Timing*

51. Putting to one side (*a*) future aid requirements for Korea and Japan, (*b*) possible increased requirements for Formosa, and (*c*) unanticipated operational requirements in Indochina, the military aid programs for Fiscal Years 1951 and 1952 and those set forth in NSC 68/3 for Fiscal Years 1953–55 inclusive, appear to be adequate. If political conditions improve in Burma and Indonesia, however, we may recommend relatively small military aid programs for those countries.

52. Although substantial military aid requirements for Korea and Japan in Fiscal Year 1953 and subsequently are anticipated, they cannot be estimated at this time. Estimates of these requirements were not included in NSC 68/3.

53. After considering loan possibilities, the Fiscal Year 1951 and proposed Fiscal Year 1952 aid programs are believed to be adequate with respect to the availability of funds. Shifts have been made in country distributions and greater reliance is being placed on increased loan possibilities with the proposal of loans not only to Indonesia, the Philippines and Thailand as originally contemplated, but also to Burma a year earlier than projected in NSC 68/3.

54. For Fiscal Year 1953, economic aid programs should be increased in magnitude and tempo. Since Fiscal Year 1952 economic aid programs for South Asia will probably get off to a late start, careful consideration should be given to accelerating them in Fiscal Year 1953. The economic aid requirements of Formosa are estimated at $90 million for Fiscal Year 1953 compared to $30 million given in NSC 68/3.

The outlook for Fiscal Year 1953 for economic aid requirement is summarized below:

| | Fiscal Year 1953 (in million dollars) | |
|---|---|---|
| | NSC 68/3 Annex 2 | Present Estimates (Including Loans & Grants) |
| South Asia | $150.0 | Probably more than $78 million requested for FY 1952 |
| Southeast Asia | | |
| Philippines | 60.0 | 75.0 |
| Other countries | 90.0 | 77.0 |
| North Asia | | |
| Japan and Ryukyus | 26.0 | 13.0 (for Ryukyu Islands only) |
| Korea | 159.0 | about 159.0 |
| Formosa | 30.0 | 90.0 |

55. The fulfillment of program objectives for all countries in Asia and the Pacific should be accelerated both in this Fiscal Year and in Fiscal Year 1953. Our economic and military aid programs are small relative to the magnitude and complexity of the requirements of the area. Continued accomplishments depend upon tangible improvements in the security situation and in economic well-being, both of which require prompt application of our aid. The favorable political effects of our aid programs, now that their announcement has inspired growing confidence in U.S. policies in the area, will be more closely related to concrete progress in fulfillment.

56. Our aid programs for Asia and the Pacific are essentially ameliorative in character, designed in the first instance to arrest the progressive deterioration in conditions and thereafter to establish a solid base for sustained and prolonged improvement. The tasks ahead are neither postponable nor susceptible to quick solutions. The amount, form and timing of our aid programs approach the minimums needed to maintain the situation in our favor and to ensure pronounced improvement in future years. We are not now in real command of the situation in this area and we should not revise downward the courses of action we have adopted to achieve our immediate objectives in this area. With great effort and at real sacrifice we have won a breathing spell which will be useful only if we continue to carry out our action programs in Asia and the Pacific. It is therefore believed that we should not slacken our efforts or postpone the targets of our aid programs in Asia and the Pacific.

TABLE 4

*Asia and the Pacific: Military Assistance Programs*

*Note:* Figures projected for future periods represent purely preliminary and tentative estimates not yet considered by ISAC.

| Fiscal Year | Annex 2 NSC 68/3‡‡ | Present Program‡‡ |
|---|---|---|
| 1951 | 375.0 | 463.0 |
| 1952 | 560.0 | 555.0 |
| 1953 | 467.4 | §§467.4 |
| 1954 | 383.6 | 383.6 |
| 1955 | 358.7 | 358.7 |

‡‡Does not include Korea, Japan, Indonesia or countries in South Asia. Military aid programs are not presently contemplated for South Asian countries, except possibly for Burma. [Footnote in the source text.]

§§This estimate will be increased if requirements are met for (a) Korean forces, (b) enabling Formosa to participate in offensive operations, (c) arming Japanese forces, and (d) operational needs of troops in Indochina. [Footnote in the source text.]

TABLE 5

*Asia and the Pacific: Economic Aid Programs*‖‖

*Note:* Figures projected for future periods represent purely preliminary and tentative estimates not yet considered by ISAC.

| | Fiscal Year 1951 | | Fiscal Year 1952 | | Fiscal Year 1953 | |
|---|---|---|---|---|---|---|
| | NSC 68/3 Estimate | Present Estimate | NSC 68/3 Estimate | Present Estimate | NSC 68/3 Estimate | Present Estimate |
| A. South Asia: | | | | | | |
| Grant | 3 | 8 | 150 | -------- | 150 | ---------- |
| Loan | -------- | 190 | -------- | -------- | -------- | -------- |
| Total | 3 | 198 | 150 | 78. 2 | 150 | More than 78 |
| B. Southeast Asia (Incl. Formosa): | | | | | | |
| Grant | 146 | 157 | 187 | -------- | 180 | ---------- |
| Loan | -------- | -------- | 30 | -------- | 90 | ---------- |
| Total | 146 | 157 | 217 | 214 | 270 | 272 |
| C. North Asia: | | | | | | |
| Japan and Ryukyus | 231 | 234 | 174 | 27¶¶ | 26 | 13¶¶ |
| Korea | 185 | 152 | 152 | 212. 5 | 159 | About 159 |
| D. Total for the area | 565 | 741 | 693 | 531. 5 | 605 | ---------- |

## V. AMERICAN REPUBLICS

### A. *Present and Proposed Programs*

57. *Political and Economic.* The actual economic program of technical cooperation completed during FY 1951 was in size and type very close to that given in NSC 68/3. However, only $4 million was appropriated for the Inter-American Highway in FY 1951. Furthermore, because it was necessary to conclude project agreements, only a very small portion of the funds for the Highway was expended.

The revised program, both the technical cooperation program and the Highway, for FY 1952 is substantially smaller than estimated in NSC 68/3. This does not reflect a change in political or economic objectives, which remain unchanged, but results from the following factors:

*a.* An administrative decision that a satisfactory rate of progress toward the stated political and economic objectives could be obtained with a smaller U.S. contribution to technical cooperation. This decision was made in recognition of the pressing needs for U.S. assistance to other regions and in relation to the overall size of the economic grant aid and technical cooperation program considered feasible to underdeveloped regions in FY 1952.

*b.* Increased foreign exchange availability and particularly the dollar earnings of countries in the region as a result of export commodity

‖‖Does not include Point IV assistance or UN assistance. [Footnote in the source text.]

¶¶It is assumed that the partial payment in dollars for U.S. troop support in Japan supplemented by dollar procurement of military supports will enable Japan to meet its dollar foreign exchange requirements. [Footnote in the source text.]

price increases. This development enables Latin American governments to do more with their own resources.

58. The NSC 68/3 estimates provided for a substantial build-up in technical cooperation programs in FY 1952 to an annual rate of $28 million, continued through 1955. The smaller build-up in the revised program now proposed for FY 1952 ($22 million) leaves a choice as to whether or not the program should be increased in FY 1953 to reach the proposed peak level, or more gradually raised over FY 1954 and FY 1955. In view of the demonstrated ability of the Latin American governments to absorb and effectively utilize technical cooperation programs, and in view of the factors discussed in Section C, below, the more rapid build-up appears desirable.

59. For example, it was contemplated that the Inter-American Highway should be completed by the end of FY 1954. As noted above, however, only $4 million was appropriated in FY 1951 and $4 million more is requested for FY 1952. At this rate, it will take some 16 years to complete the Highway.

60. Against the projection of a potential scale of Latin American lending operations of $350 million during FY 1951 on the part of Eximbank and IBRD ($225 million by the former and $125 million by the latter) the new credits authorized during FY 1951 by Eximbank amounted to $263.6 millions and by IBRD to $85.3 millions, totalling $348.9 millions.

61. *Military.* The FY 1951 MDAP contained no provision for grant military assistance to Latin American nations; provision was made for military assistance on a reimbursable basis. NSC 68/3 indicated that "nominal amounts" might be made available for grant military assistance to the American Republics.

62. The proposed FY 1952 program, however may provide $40 million in grant military assistance to selected Latin American nations. The funds are designed to assist these countries to raise and equip military forces which can effectively perform certain agreed hemispheric defense tasks as part of a multi-lateral defense plan under development by the Inter-American Defense Board. U.S. forces, which would otherwise have the responsibility of undertaking such tasks, will thus be released for deployment to other more critical areas. Utilization of the proposed authority and funds will depend upon the satisfactory negotiation and implementation of bilateral agreements between the U.S. and selected Latin American countries. Final determination of amounts and recipients of grants must await the outcome of such negotiations.

63. The proposed FY 1952 military grant aid program for Title IV countries was developed in the light of evidence that Latin American countries are now prepared to cooperate in developing a collective program for hemispheric defense; and because they are not militarily

capable of effectively performing the required hemispheric defense task without U.S. military aid in support of the military effort necessary to raise, equip and maintain the forces required.

64. The $40 million included in the proposed FY 1952 legislation is short of the amount estimated as being necessary for providing minimum forces required for the performance, in the event of war, of defense tasks outside the borders of Latin American countries but within the general Latin American area. A very preliminary estimate of military assistance requirements for Latin America, not yet reviewed by ISAC, indicates that the following amounts will be needed as grant military assistance to meet the present objective of preparing effective forces for war deployment *outside of the recipient countries' borders* but within the general Latin American area, and to provide minimum effective forces for defense of vital installations and resources *within* the respective borders of recipient countries:

FY 1953 = $300 million
FY 1954 = $85.4 million
FY 1955 = $67.8 million

These estimates must be considered extremely tentative and therefore subject to substantial revision as result of detailed surveys of military capabilities and requirements on a country basis.

B. *Extent of Accomplishments*

65. *Political and Economic.* The political and economic accomplishments under the FY 1951 program were important and demonstrated the continuing interest of the United States in inter-American affairs.

66. The technical cooperation program proposed for Latin America is designed to improve the basic governmental services, and is an important factor in creating the conditions needed for economic development. It offers only a partial, though important, contribution to the attainment of U.S. political and economic objectives for the region. This is especially true of countries such as Haiti, Bolivia and Ecuador where the economic problems are too great in magnitude to be solved by technical assistance only.

67. *Military.* With regard to the military program, it is expected that the following will be accomplished: Negotiation and conclusion of necessary agreements, and supplementary arrangements with other governments; delivery of U.S. equipment and other material required for the build-up of units to a state of readiness to carry out the defense tasks which are considered to have the highest priority.

C. *Adequacy and Timing of Proposed Programs*

68. *Political and Economic.* The revised economic aid programs, outlined in Section A, above, are minimal from the viewpoint of adequacy.

Measured against development efforts through private and public investment in the 20 countries in the region, it can only be considered a significant catalytic agent to stimulate efforts by the local governments to help themselves. The long-range nature of the program requires a steady and continuing cooperative effort with the governments in the region. This is the important element of timing.

69. *Military.* The objective of creating an effective system of collective hemispheric defense would be rendered impossible if the program of U.S. military grant assistance, already publicly announced, were not initiated and if provision were not made for its continuation over the next two or three years.

## VI. U.S. CONTRIBUTIONS TO MULTILATERAL PROGRAMS OF TECHNICAL ASSISTANCE, FY 1951–55 INCLUSIVE

### *Introduction*

70. The desirable US contribution to expanded programs of technical assistance conducted by the United Nations and its specialized agencies and by the Organization of American States, represents a more difficult estimate than those for the bilateral aid programs proposed for any region or country. Such an estimate of the US contribution incorporates judgments on (*a*) the portion of the total program of technical assistance that can best be carried out by multilateral agencies, (*b*) the size of the international program that the capacity of these agencies permit them to carry effectively and (*c*) the contributions that can be counted on from other governments, so that the truly international character of these organizations can be preserved and so that an undue share of the cost of supporting such international activities does not fall upon this country.

### A. *Status of Present Programs*

71. The US contribution to the expanded programs of technical assistance by international organizations in FY 1951 will be used through December 31, 1951, which ends the fiscal year for these organizations.

72. It is presently estimated that, given the scope of its program as it is being developed this calendar year and the interest of other governments, the total expanded program to be carried on in calendar year 1952 by the United Nations will amount to approximately $25 million. Pledges in support of the 1952 program will be made this next fall. With some carry-over of uncommitted funds from 1951, it is proposed that a United States contribution of $13 million in FY 1952 will enable the United Nations and other supplementary international agency programs, such as that of the Organization of American States, to continue in calendar 1952 at an accelerated rate, without

a change in the percentage of US contribution. However, this figure of $13 million which represents a reduction from the NSC program, cannot be considered firm until the actual carry-over of uncommitted funds from the 1950–51 program is determined at the end of the calendar year.

B. *Difficulties Being Encountered*

73. A considerable measure of coordination between the United States and United Nations programs of technical assistance has already been achieved by an exchange of information and consultation. There is still a good deal that needs to be done to improve the joint programming and advance consultation at the country level to maximize the effectiveness of both programs as an aid to balanced and integrated economic development. There also needs to be a strengthening of the United Nations program at the center, to ensure that the operating capabilities of the UN and the specialized agencies are effectively applied to supplement each other in meeting high priority needs within a country.

C. *Adequacy and Timing*

74. The revised program of technical assistance through the international agencies is adequate to provide member Governments with (*a*) the major and urgent technical assistance which they may request of the United Nations, its specialized agencies and the Organization of American States, and (*b*) the choice of a wider variety of services than could be provided by the US alone. The timing needs, as reflected in the revised program, are for a gradual build-up to permit continuing and increasing cooperation between member governments and the international organizations.

75. For the period FY 1953–55, it is considered desirable to provide US contributions at a gradually increasing rate until FY 1954, as provided for in the NSC estimates. However, due to difficulties anticipated in securing larger contributions from other governments, particularly from Latin American countries toward the program of the Organization of American States, the US contributions in these three years may not need to be quite as large as indicated in the NSC 68/3 program. If the necessary contributions from other governments are forthcoming, on the other hand, it is desirable that the international programs of technical assistance be expanded to the levels indicated in the NSC 68/3 program. This last year's experience has clearly demonstrated the value of such action programs under international auspices as an effective means of carrying out our policy of strengthening the United Nations; and supplementing and complementing US bilateral programs toward similar objectives.

*Editorial Note*

On August 9, the House Committee on Foreign Affairs reported H.R. 5113, a draft Mutual Security Act which cut $650 million from the President's request of May 24 and established a Mutual Security Agency to replace the Economic Cooperation Administration effective December 30. For other provisions, see *The Mutual Security Act of 1951: Report of the Committee on Foreign Affairs of the United States House of Representatives* (House Report No. 872, 82d Cong., 1st sess.) (Washington, Government Printing Office, 1952). On August 17, the House of Representatives passed an amended version of H.R. 5113 (260 to 101) after cutting an additional $350 million from economic aid to Europe.

On August 24, the Senate Committees on Foreign Relations and Armed Services reported a draft Mutual Security Act which authorized the expenditure of $7,535,750,000 in Fiscal Year 1952 (only slightly more than proposed in the House bill), but differed markedly from the House version of H.R. 5113 as to administration of the program. Rather than creating a new agency, the Senate bill provided for the continuation of divided responsibility among the Department of State, the Department of Defense, and the ECA, under the coordinating authority of an independent Presidential board. Regarding the Senate version, see *The Mutual Security Act of 1951: Report of the Committee on Foreign Relations and the Committee on Armed Services of the United States Senate* (Senate Report No. 703, 82d Cong., 1st sess.) (Washington, Government Printing Office, 1951). On August 31, following three days of debate, the Senate passed (61 to 5) the bill reported by the Joint Committee, after reducing economic aid to Europe by $250 million.

House and Senate conferees reached agreement on September 27 regarding a version of H.R. 5113 which authorized $7,483,400,000—approximately $1 billion less than requested by the President. Under the conference bill, the functions of ECA were transferred to a new Mutual Security Agency headed by a Director for Mutual Security who was authorized to coordinate the entire Mutual Security Program. The Defense Department continued to determine military end-item requirements while the Point Four Program for technical aid to underdeveloped areas remained under the control of the Department of State. Regarding the conference bill, see *The Mutual Security Act of 1951: Conference Report* (House Report No. 1090, 82d Cong., 1st sess.) (Washington, Government Printing Office, 1951).

The conference version, slightly amended, was approved by the Senate on October 2 by a vote of 56–21, and by the House on October 5, 253–298. H.R. 5113 received the President's signature on October 10, becoming the Mutual Security Act of 1951 (Public Law

549-782—79——26

165, 82d Cong.; 65 Stat. 373). For a summary of the provisions of the act, see extract from *Current Economic Developments*, October 15, page 425. For the text of President Truman's remarks on the occasion of signing the Mutual Security Act, see *Public Papers of the Presidents of the United States: Harry S. Truman, 1951*, pages 563–564, or Department of State *Bulletin*, October 22, 1951, page 646.

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ISAC Files, Lot 53 D 443

*Memorandum Approved by the International Security Affairs Committee*[1]

TOP SECRET [WASHINGTON,] September 6, 1951.
ISAC D-22/3b

GUIDE LINES FOR FISCAL YEAR 1953 FOREIGN AID PROGRAMS

NON-EUROPEAN AREAS

A. *General*

1. *Scope and Purpose of Paper.*

(*a*) This paper is intended to provide the guide lines within which programs can be drawn up for both military and economic aid in the non-European areas, including the Near East and Africa, the Middle East, South Asia, the Far East and Latin America. Greece and Turkey are not included because (*a*) it is assumed that by FY 1953 Greece and Turkey will be members of NATO, (*b*) the problems of programming for Greece and Turkey are much more nearly like those of the NATO countries than they are like those of the non-European areas.

(*b*) The process of developing an integrated mutual security program comprises the following steps:

(*i*) Determination of objectives, by area and by country, in as clear and as specific terms as possible.

(*ii*) Agreement upon working assumptions.

(*iii*) Determination of programs required to achieve objectives.

(*iv*) Calculation of minimum funds needed to finance the tentative programs.

(*v*) Reassessment of entire program in terms of the total it is reasonable to request and in terms of relative priorities of various programs.

(*vi*) The development for presentation of an integrated foreign aid program.

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[1] At the 38th Meeting of ISAC, August 14, Thomas D. Cabot, Director of International Security Affairs, instructed Jonathan Bingham, Assistant Director for Non-European Security Affairs, to prepare a memorandum setting forth guiding principles to assist in planning the fiscal year 1953 foreign aid program for non-European areas. ISAC reviewed in detail the resulting drafts at its 41st Meeting, August 31, and 42d Meeting, September 5. The version approved at the latter session was issued as document ISAC D-22/3b, September 6, 1951. The accompanying annex was approved at the 43d Meeting of ISAC, September 11. (ISAC Files, Lot 53 D 443)

The purpose of this paper is to make a start, for the non-European areas, on the first two steps. The assumptions stated here will have to be revised from time to time. The objectives stated here, either explicitly or by reference to FY 1952, are in many cases too general to be very meaningful in terms of the type and extent of aid required to achieve these objectives. Every effort must be made to refine the objectives and make them more specific. This effort will be made in Washington, but it must also be made by the missions themselves as an essential part of the programming process. To the extent that it is done successfully, to that extent the whole program will be tightened and its presentation made more convincing.

Conclusions with respect to aid expressed in this paper are subject to revision and are limited to those cases where no aid is believed to be necessary or where aid is limited to a certain type. No effort is made to suggest specific amounts for particular countries since amounts are considered to be the end product of the programming task, justified by the programs themselves.

(*c*) Programming for FY 1953 is in various stages. To the extent that it has already gone forward, the basic premise has apparently been that the assumptions and objectives for the FY 1953 program would be the same as for FY 1952. To a large extent, this paper will confirm that premise. To the extent that it calls for changes, persons engaged in programming both in Washington and in the field should be immediately so instructed. In those areas where programming for FY 1953 has not yet begun (principally in those cases where a program was to be inaugurated in FY 1952 and is not yet under way because of a lack of Congressional authorization and appropriation), instructions should be issued immediately to proceed with programming for FY 1953 on the basis of this paper. Section A of this paper and such other parts as may be appropriate should be sent to all interested missions.

2. *Generally Applicable Assumptions.* For purposes of uniformity in programming, it is essential that certain general assumptions be accepted, as follows:

(*a*) There will be no general war.

(*b*) Unless otherwise specifically stated, the political complexion and orientation of the various countries, the state of relations between them, and their economic condition will be assumed to be about the same as today.

(*c*) FY 1950 and FY 1951 programs will have been successfully completed.

(*d*) The proposed FY 1952 programs will have been completed in varying degrees.

(*e*) The United States will be successful in its efforts to persuade aid recipients to comply with whatever standards are required by the U.S. Congress with respect to East-West trade so that extension of aid will not be prohibited.

(*f*) For the proposed FY 1952 aid programs, funds will have been available for all of the military programs and for 75% of the economic programs, taking into account the possibility of transfers between titles. (*Note:* This assumption will be subject to revision, country by country, as more precise information becomes available.)

3. *General Principles.* It must be recognized that in almost no case in the non-European areas (except with respect to the military aid program in Latin America) is there any specific objective comparable to the MTDP in Europe which provides a measuring rod for the determination of the dollar amount of programs. Moreover, the factors affecting aid programs in the non-European areas vary widely from region to region and in many cases from country to country. The following comments, however, are of general application:

(*a*) Because of general and increasing pressure on United States resources, an even more severe standard must be applied in testing the necessity for proposed FY 1953 programs than was applied for programming for FY 1952.

(*b*) The purposes of military aid programs include the following:

*Mainly military:*

(*i*) To strengthen the ability of friendly governments to discourage, resist or repel aggression and to participate in the collective defense efforts of the free world.

*Military and political:*

(*ii*) To assist friendly governments to maintain internal security.

*Mainly political:*

(*iii*) To improve the attitudes of certain states toward the free world and the U.S. by indicating our willingness to help them maintain their own security against external and internal aggression.

(*c*) The purposes of economic aid programs include the following:

*Mainly military:*

(*i*) To enable governments to strengthen their ability to withstand aggression, both from within and from external sources, and to participate in the common defense effort.

(*ii*) To increase the output and facilitate the distribution of strategic materials needed for common defense.

(*iii*) To increase the capacity of the area to produce essential civilian goods, especially foods, so as to reduce the drain on U.S. output and shipping in the event of an emergency.

*Mainly political:*

(*iv*) To strengthen support for friendly governments by assisting them to provide more effectively for the needs of their people.

(*v*) To arrest economic deterioration threatening political stability.

(*vi*) To improve popular attitudes toward the free world and the U.S.

(*d*) The final statement of objectives for each country should indicate the specific purposes for which aid is needed. Aid programs should,

so far as possible, be multi-purpose programs. In some cases, however, it may well be that the dominant objective of a program may be jeopardized if a different type of objective is also pursued. For example, care must be exercised that encouragement of strategic materials development and procurement (as a part of an aid program) does not interfere with the program's basic political objectives.

(*e*) The possible purposes of economic aid above stated may in many cases be achieved by loans. That possibility should always be considered by programmers. To the extent possible, programmers should determine the minimum amount of aid, grant or loan, which would be needed to accomplish United States objectives in a given area or country, initially without regard to the relative roles of loan and grant aid. Programmers should then make recommendations as to those parts of the program which might be effected on a loan basis. This procedure calls for the maximum possible contact and cooperation between the lending agencies and the grant aid agencies, both in Washington and in the field.

(*Notes:* 1. Aid in the form of loans can sometimes appropriately go above the *minimum* level of aid which is to be determined by this procedure. For present purposes, programmers will not explore the possibilities for such loan aid.

2. The procedure outlined in this paragraph will probably not be practicable in Latin America or in the independent countries of Africa where programmers will presumably be concerned only with technical assistance programs for which loans are not appropriate.)

(*f*) For the purpose of making recommendations as to those parts of a minimum economic aid program which might be effected on a loan basis, the following considerations are suggested. They do not represent a firm U.S. government position on the question of grants vs. loans:

(*i*) The basic factors to be considered are the country's anticipated balance of payments position, the degree of internal influence desired, the country's needs for other investment which will also require debt-servicing capacity, and the degree to which the country itself is interested in and anxious for the assistance.

(*ii*) In general, it is desirable that economic development projects and substantial equipment programs associated with technical assistance projects be financed on a loan basis. However, there is one basic criterion that should be met before assistance can be rendered in the form of loans: the recipient should have capacity to service further debt. This does not mean that the loan project itself need be self-liquidating, but the prospective debt servicing capacity of the borrower should be adequate to justify expectation of payment. The country's prospective capacity to service debt should be calculated in terms of a level of exports and imports reasonably related to its own needs for increased production and not in terms of the largest possible export surplus.

(*iii*) Many proposed recipients of U.S. aid are not in a position to carry further debt because their balance of payments prospects are highly unfavorable, e.g., Jordan, or because the country is in a state of civil disorder and until some greater measure of order is restored, its future prospects cannot be assessed, e.g., Indochina. Our aid programs in these areas are necessarily on a grant basis.

(*iv*) Certain proposed recipients of grant aid have capacity to carry *some* additional indebtedness but the heavy initial capi-

tal investment that must be made to arrest deterioration or to give these economies the required forward momentum exceeds their limited servicing capacity. It is necessary in the interest of U.S. security to foster economic development in these areas at a rate faster than these countries can undertake exclusively on a loan basis. In such areas our program will involve *grant* and *loan* aid. This combination is flexible and can be tailored to meet our objectives, without resort to fuzzy loans, in countries which are obviously neither in the full grant nor full loan category.

(*v*) Under certain circumstances it may be desirable to provide relatively small amounts of financial aid on a grant basis notwithstanding the country's favorable balance of payments prospects so as to encourage the country to undertake, under joint supervision, projects essential to the common strength which the recipient government might otherwise be reluctant or incompetent to undertake. The activities we hope to encourage by grant aid are those which are not locally initiated because of lack of skills or other local obstacles, but which, having been begun under the stimulus of U.S. aid, are more likely to be carried on in the future with local resources.

(*g*) A reasonably precise standard for determining the amount of grant economic aid is available when the objective is either (i) to enable the country to produce a given quantity of military production or (ii) to arrest deterioration in the country's economic situation. In other cases, no precise standard is available, and the level of aid must be determined as a matter of judgment by the application of a number of factors, including (i) the importance of preventing the particular country from entering the Communist orbit, in terms of strategic materials, military implications, effect upon other nations, etc.; (ii) the degree of danger that the local government will be subverted and taken over by the Communists; (iii) the degree to which the local government is cooperating with the United States, e.g., in the United Nations and elsewhere (in general, this factor is significant only where neighboring countries are receiving substantial aid); (iv) a great variety of economic factors. As stated above, the degree to which objectives can be stated in specific terms will narrow the limits in which such a judgment will have to be exercised.

(*h*) Where the objective of military aid in a given case is either (i) to maintain internal security or (ii) to repel aggression by a foe of known capabilities or (iii) to perform specific defense missions, a reasonably precise standard is available for determining the level of military aid to be provided, whether in the form of end-item aid or of financial aid. Where one of the principal objectives is to deter or discourage external aggression, however, there is no comparable precise standard for determining the level of military aid. In such a case, the level of aid must be determined as a matter of judgment by the application of a number of factors, including (i) the acuteness of the threat of external aggression, (ii) the degree to which increased military strength will discourage aggression, (iii) the degree to which a projected increase in military strength may invite aggression, (iv) the degree to which the military aid may accomplish political objectives; (v) the danger of additional equipment falling into the hands

of Communist forces. Programs must always be tailored to the country's ability effectively to utilize the aid.

(*i*) In the process of programming for both military and economic aid, a determination should be made as to (i) the total magnitude of the task to be accomplished if the stated objectives are to be achieved, (ii) the cost of accomplishing the task, (iii) the length of time required to accomplish it, and (iv) the progress expected to be made by the programs proposed for FY 1953. On the economic aid side, the relative role to be played by loan and grant aid at various stages should be determined in so far as possible. These factors will be important not only in the development of the programs, but in their presentation.

(*j*) Programmers will have to determine the anticipated degree of completion of the respective programs during FY 1952 and take account of such progress or lack of progress in formulating the 1953 programs. These estimates will, of course, be subject to constant revision.

(*k*) In programming for both military and economic aid, the determination of extent and types of aid must be made in the light of (i) the degree to which U.S. controls will have to be exercised to make the aid effective and prevent its misuse and waste, and (ii) the degree to which the exercise of such controls will be politically feasible.

(*l*) Every effort must be made to avoid aid programs which amount to direct support of government activities normally carried in their own budgets. Any such program should be considered only as a last resort to accomplish an absolutely essential objective.

(*m*) Determination of United States contributions to United Nations technical assistance programs will be made as in FY 1952. Congressional reactions will have to be taken into account in negotiating proportion of U.S. contributions.

B. *Far East*

1. *Area Covered.* This section covers Japan, Korea, Formosa, Indochina, Thailand, Burma, the Philippines, Indonesia, Malaya, Australia and New Zealand.

2. *Regional Assumptions.*

(*a*) A peace treaty will have become effective between Japan and most of the non-Communist nations formerly at war with Japan.

(*b*) There will be no general Pacific Pact, but security commitments will have been concluded with Australia, New Zealand, the Philippines and Japan.

(*c*) In Korea hostilities will either have ceased or will be at a low level of intensity, but Korea will remain divided and at least some UN forces will still be in Korea by the end of FY 1953.

(*d*) Communist China will not have attacked Formosa, Indochina, Burma or Thailand, but the threat of attack will be intensified.

(*e*) Japan will be playing an increasingly large role in the economies of the area, both as a supplier of industrial and consumer goods and as a market for raw materials.

(*f*) It will be politically and economically feasible to build up and make use of Japan's military production potential, except for such types of items as heavy artillery, tanks and aircraft.

3. *Regional Objectives.*

(*a*) General objectives will remain the same as in FY 1952, with intense emphasis on keeping Japan oriented toward the free world.

4. *Other Regional Guide Lines.*

(*a*) In programming for military aid, every effort should be made to provide for production in the area. Country military missions should indicate items in the end-item programs which could be produced locally, on the assumption that some method of financing such production would be available. In addition, country missions should be instructed to make recommendations as to items which could be produced efficiently and economically for use elsewhere in the area, if United States assistance for that purpose were made available.

(*b*) Upon receipt in Washington of recommended country end-item programs, consideration should be given to the possibility of producing some of the items in Japan.

(*c*) In any country where it develops that local military or paramilitary production would be desirable, a method of financing such production will have to be worked out which does not interfere with the political objectives to be supported by the economic program. Exchange of information and close cooperation between the military and ECA missions will be essential.

5. *Japan—Special Assumptions.*

(*a*) Either through amendment of their constitution or otherwise, the Japanese will be in a position to develop essential military forces.

(*b*) As of the beginning of FY 1953, the Japanese Government will have taken the initial steps to begin the development of Japanese forces. However, the major burden of the defense of Japan will fall upon the United States, acting under the bilateral security commitment.

(*c*) Procurement in Japan of military equipment and consumer and capital goods for the Far Eastern area and for the reconstruction of Korea will have begun and will increase through FY 1953, so as at least to offset the anticipated decrease in the volume of procurement in Japan for the support of UN troops in Korea.

(*d*) Japanese commercial export trade in both sterling and dollar areas will continue at least at present levels.

(*e*) Japan will have earnings of approximately $150,000,000 to $200,000,000 from the U.S. share of the expense of maintaining U.S. troops in Japan during FY 1953.

(*f*) Based on the foregoing assumptions, the further assumption is made that no economic assistance on a grant basis will be necessary for Japan in FY 1953.

6. *Japan—Military Aid.*

(*a*) The question of a possible military aid program for Japan is one which requires urgent attention at the highest levels. Among the subsidiary questions which will have to be considered are (i) the Japanese Government's intentions with respect to the development of forces and particularly with respect to the use of the National Police Reserve; (ii) the desirability of encouraging Japan in the development of naval and air forces; (iii) the composition, size and organization of a MAAG-type mission for the post-treaty period; (iv) the phased equipment requirements for proposed Japanese forces; (v) the extent to which such equipment can be produced in Japan and the extent to which such local production can be financed by the Japanese Government without United States assistance. No conclusions with respect to these questions can be formulated now, but it is believed that a military aid program for Japan for FY 1953 will be necessary and that accordingly some method of providing for such a program in FY 1953 will have to be devised.

*Attention is directed to the extraordinary security considerations attaching to any discussion of this subject.*

7. *Korea—Special Assumptions.*

In addition to the assumption noted in 2(*c*) above, it is assumed for FY 1953 that (*a*) there will be no political settlement of the Korean problem, (*b*) the Unified Command will have turned over full responsibility for relief and rehabilitation in Korea to the United Nations Reconstruction Agency, but this will of necessity apply only in South Korea and such portions of North Korea as may be under United Nations control; (*c*) substantial quantities of military matériel will have been turned over to the ROK forces.

8. *Korea—Economic Aid.*

(*a*) All economic assistance programs for South Korea will be under the aegis of the United Nations either through UNKRA or other specialized agencies. This may have to include a military support program.

(*b*) The total program for FY 1953 should probably not exceed $250,000,000. Computed at the presently projected percentage of 65% the US share of that amount would be $162,500,000.

(*c*) The amount which will have to be requested in the FY 1953 program, over and above the amount provided for in the FY 1952 MSP, depends upon the date when the UNKRA operation is initiated.

9. *Korea—Military Aid.*

(*a*) A military aid program will be necessary in FY 1953 to enable the ROK forces to assume the maximum responsibility for the defense of South Korea.

(*b*) It is understood that the ultimate objective is an armed force of 250,000 (10 divisions plus 100,000 supporting troops), an adequate

Coast Guard, and a small tactical air force, all adequately officered, and the development of a national police academy.

(*c*) Questions which must be determined as a matter of urgency are (1) the degree of UN participation in such a military aid program, (2) net deficiencies of equipment after deducting existing equipment and equipment which may be turned over by United Nations units now in Korea.

(*d*) It is believed some provision will have to be made in the FY 1953 Mutual Security Program for an end-item program for Korea.

(*e*) A training program is already under way and will be of great importance in FY 1953.

10. *Formosa—Special Assumptions.*

(*a*) The Chinese Communists will remain firmly aligned with Moscow and will not have developed clearly defined Titoist tendencies.

(*b*) The Nationalist Government has no alternative but to rely upon the U.S. for aid.

(*c*) The U.S. Seventh Fleet will still be assigned its present task with respect to Formosa.

(*d*) A system of supervision and control will have been established in an effort to assure the effective utilization of U.S. aid.

(*e*) There will be continuing budgetary problems beyond the capabilities of the Nationalist Government of China to solve, but under U.S. guidance the situation will be improving.

11. *Formosa—Military Aid.*

(*a*) The objective of the military aid program for Formosa will continue the same as in FY 1952, namely to assist the Nationalist Government to develop adequate military strength to discourage and if necessary repel an attack by the Chinese Communist forces, in conjunction with the Seventh Fleet.

12. *Formosa—Economic Aid.*

(*a*) The objectives of economic aid for Formosa will be to assist the Chinese Nationalist Government (1) to offset the inflationary impact of its military expenditures, including the assistance program (2) to develop a self-supporting economy on Formosa, and (3) to provide essential support for the military program. There is a difference of opinion within the U.S. Government as to whether or not objective (2) can be achieved so long as the island must support armed forces of the present magnitude, but there is no difference of opinion that efforts should be made to achieve that objective through the extension of aid and through the resolute insistence upon adequate budgetary and fiscal controls.

(*b*) The technical assistance program will be carried forward indefinitely along present lines.

13. *Indochina—Special Assumptions.*

(*a*) Hostilities will continue in Indochina on approximately the present scale.

(*b*) The French will be increasingly aware of the severe drain in men and money of their Indochina campaign and will carefully examine every possibility of arriving at some sort of a political settlement with the Viet Minh.

(*c*) The De Lattre [2] mobilization policy will be generally successful, so as to increase available manpower for the Associated States forces.

(*d*) The political strength of the Associated States will be gradually increasing. Defections from, will be more numerous than defections to, the Viet Minh.

(*e*) The French will have advised the U.S. that the planned levels of Associated States forces cannot be achieved without U.S. financial assistance for pay and maintenance.

14. *Indochina—Military Aid.*

(*a*) The general objectives of the military aid program will continue the same in FY 1952.

(*b*) Budgetary assistance should be considered only as a last resort if U.S. representatives are convinced that the French cannot carry forward their plans for the development of native forces without such assistance. In that event, the assistance should be considered only on the condition that a satisfactory plan be worked out jointly for the eventual relief of the U.S. from this burden.

15. *Indochina—Economic Aid.*

(*a*) The general objectives of economic aid will be the same in FY 1953 as in FY 1952.

(*b*) Basic program objectives should be consistent with U.S. policy to continue to encourage internal autonomy and progressive social and economic reforms, to prevent economic deterioration, and to assist the Associated States within the French Union to achieve greater stability by achieving more widespread popular support.

16. *Thailand—Special Assumptions.*

(*a*) The effectiveness of the Thai Navy has been reduced by the transfer of its air and marine complements to the other services. It is therefore assumed that the end-item requirements of the Navy will be reduced accordingly.

17. *Thailand—Military Aid.*

(*a*) The general objectives of the military aid program in Thailand will be the same as in FY 1952, namely, to assist Thailand to maintain internal security, to discourage external aggression, and to meet political objectives.

18. *Thailand—Economic Aid.*

(*a*) In view of its relatively strong economic position and of the fact that the risk of Communist subversion is not as acute as elsewhere

[2] General of the Army Jean de Lattre de Tassigny, French High Commissioner and Commander of French Union Forces in Indochina.

in the area, grant economic aid should be kept to a minimum consistent with political objectives and should be limited to technical assistance, including supplies and equipment needed to make such assistance effective.

19. *Burma—Special Assumptions.*

(*a*) Burma is an extremely soft spot and a logical target for Communist subversion and aggression.

(*b*) The situation in Burma will continue in FY 1953 approximately as at present, with the British Government continuing to exercise primary responsibility in the military field.

20. *Burma—Military Aid.*

Although under present conditions no military grant aid program is proposed for FY 1953, the U.S. should be prepared at any time to consider such a program at the request of the Burmese Government, always recognizing the primary responsibility of the U.K. and the British Commonwealth. No immediate effort should be made to stimulate such a request or to press for approval of a survey of military requirements.

21. *Burma—Economic Aid.*

(*a*) The general objectives of economic aid for FY 1953 will remain the same as in FY 1952.

(*b*) The critical nature of the situation calls for a sympathetic approach to Burmese requests for assistance.

22. *Indonesia—Special Assumptions.*

Conditions will continue about the same in FY 1953 as in FY 1952, with the Government showing an increasing tendency to align itself with the Western world. Economic conditions may, however, deteriorate depending on world price trends.

23. *Indonesia—Military Aid.*

(*a*) At the present time no military aid has been requested by the Indonesian Government for FY 1952 or FY 1953 and none is proposed for FY 1953.

(*b*) Even if a request were received, Indonesia would under present conditions be an area of low priority for large-scale military assistance. A request for military assistance should be received sympathetically on political grounds, but no extensive program should be undertaken.

24. *Indonesia—Economic Program.*

(*a*) General objectives will remain the same in FY 1953 as in FY 1952.

(*b*) Grant aid should be limited to technical asistance, including supplies and equipment needed to make such assistance effective, subject to possible future revision in the event economic conditions deteriorate sharply.

25. *Philippines—Special Assumption.*

(*a*) Continued progress will have been recorded in the control of the Huk movement, and in the economic situation.

26. *Philippines—Military Aid Program.*

(*a*) General objectives of the military aid program will remain the same in FY 1953 as in FY 1952.

27. *Philippines—Economic Aid.*

(*a*) No military support program comparable to the current $10,000,000 program should be contemplated.

(*b*) The general objectives of other economic aid programs will remain the same in FY 1953 as in FY 1952.

(*c*) Attention in programming should be given to increasing the proportion of loan assistance.

29. *Australia, New Zealand, and Malaya.*

(*a*) No grant aid programs are contemplated for FY 1953.

C. *South Asia*

1. *Special Assumptions.*

(*a*) Extreme tension between India and Pakistan will continue, but without actual hostilities.

(*b*) India will still be pursuing an attempted neutral course between the Soviet bloc and the free world.

(*c*) Pakistan and Ceylon will be firmly oriented toward the West.

(*d*) Iran will remain independent.

2. *Military Aid.*

(*a*) On the basis of the foregoing assumptions, no military aid is envisaged for FY 1953.

(*b*) In view of the importance of Pakistan in the event of a Soviet attack upon Iran, a study should be made of Pakistan's military requirements.

3. *Economic Aid.*

(*a*) The general objectives of economic aid in South Asia will remain the same in FY 1953 as in FY 1952.

(*b*) In view of the lack of going programs for India and Pakistan, every effort must be made to state objectives in specific terms so that proposed programs may be measured against them.

(*c*) In view of the impossibility of having missions in the field in a position to do the programming in time for the Budget presentation, the programming will have to be done in the same way as for FY 1952, subject to modification as experience in the field requires.

D. *Iran*

1. *Special Assumptions.*

(*a*) There will have been no Soviet attack and the Tudeh Party will not have taken control.

(*b*) The oil dispute will remain unresolved as of the beginning of FY 1953.

*Note:* While a more optimistic assumption with respect to the oil dispute might be justified, it seems wise to proceed upon a pessimistic assumption in this case. This assumption is not of course to be understood as a forecast.

2. *Military Aid.*

(*a*) The general objectives of the end-item and training program should be the same as in FY 1952, with every effort being made to accelerate target dates consistent with the country's ability to absorb equipment and its need therefor to restore and maintain internal security.

3. *Economic Aid.*

(*a*) The objective of economic aid in FY 1953 will be to assist the government to maintain relative political stability and prevent complete economic deterioration and chaos and at the same time to bring about the maximum utilization of Iran's oil resources for its own benefit and that of the free world. This will probably involve abandonment of most of the objectives of the FY 1952 program. The difficulty of translating dollar aid into the Government's real requirements will require particularly intense study. Work on these problems should start at once, on a highly secret basis.

(*b*) Budgetary support for the maintenance of the military establishment will probably be essential, as part of the economic aid program.

E. *The Arab States and Israel*

1. *Special Assumptions.*

(*a*) Relations between Israel and the Arab States will be about the same as in FY 1952.

(*b*) The middle east defense board will have been established and will be making progress in securing local participation.

(*c*) A *modus vivendi* will have have been worked out between the U.K. and Egypt. (*Note:* If this result cannot be achieved, our present policy in the area, including the proposed programs, will have to be drastically revised.)

(*d*) A tripartite committee to coordinate military aid to the Arab States and Israel will have been successfully established and will be operating on a secret basis.

(*e*) Iraq will have accepted the I.P.C. offer.

2. *Military Aid.*

(*a*) The general objectives of the military aid program in the Arab States and Israel will remain the same in FY 1953 as in FY 1952.

(*b*) If at all possible, such a program should be presented to the Bureau of the Budget and to the Congress on a basis comparable to that of other military aid programs and not in the vague terms of the FY 1952 program. Operations in the area must therefore be begun as soon as politically feasible.

(*c*) The programming of military aid for the Arab States and Israel will be to a large degree unlike that for any other area because (*i*) proposals will have to be considered by a tripartite committee, (*ii*) political considerations will be of equal importance to military considerations in determining the composition and size of the country programs, (*iii*) programming must proceed on the premise that equipment will be furnished on a reimbursable basis wherever possible, (*iv*) the principle of impartiality must be followed.

3. *Economic Aid.*

(*a*) The general objectives of economic aid in the area will be the same as in the FY 1952 program, including provision for the Palestine refugees.

(*b*) The programs should be administered on a regional basis and the principle of impartiality must be followed.

(*c*) Political factors will be of critical importance in determining the level of economic aid in the area and its distribution.

F. *Independent African States*

1. *Special Assumptions.*

(*a*) Ethiopia and Liberia will be pressing for military aid.

(*b*) Libya will be independent.

2. *Military Aid.*

(*a*) In general, military aid should be extended to the independent African States only on a reimbursable basis.

3. *Economic Aid.*

(*a*) The general objectives of economic aid will remain the same in FY 1953 as in FY 1952.

(*b*) Since at least in Ethiopia and Liberia the possibilities of loans are considerable, grant aid will be limited to technical assistance, increased by a modest supply component to make such assistance effective.

G. *Latin America*

1. *Special Assumptions.*

(*a*) Negotiations will have been successfully concluded with a few governments looking toward the assumption by them of hemispheric defense tasks for which needed equipment will be furnished by the United States on a grant basis.

(*b*) No grant aid will be used to furnish items which could be produced locally.

(*c*) Relative contributions for technical assistance programs from Latin American countries will continue to increase.

2. *Military Aid.*

(*a*) General objectives of the military aid program will remain the same in FY 1953 as in FY 1952.

(*b*) If possible, a military aid program for Latin America for FY 1953 should be developed for presentation to the Bureau of the Budget

and to the Congress on a more concrete basis than the program for FY 1952. Accordingly, negotiations should proceed as soon as possible on an urgent basis in accordance with agreed procedures to implement the FY 1952 program and to make possible concrete programming for FY 1953.

3. *Economic Aid.*

(*a*) The general objectives of economic aid in FY 1953 will be the same as in FY 1952.

(*b*) Grant aid will be limited to technical assistance, including such supplies as are required to make such assistance effective.

[Annex]

## Summary of Objectives of FY 1952 Aid Programs in Non-European Areas As Proposed to U.S. Congress

### A. FAR EAST

*Japan:*

No aid programs proposed.

*Korea:*

To support the United Nations in providing for relief and rehabilitation in Korea.

*Formosa:*

*Military aid objectives*—To assist the Chinese Nationalists to equip and train forces which, in conjunction with the Seventh Fleet, will be capable of defending the island against external military aggression by the Chinese communists.

*Economic aid objectives*—

(1) To support the military effort.

(2) To assist the island to absorb the impact of the military effort.

(3) To develop a self-supporting economy.

*Indochina:*

*Military aid objectives*—To assist the French to equip and train French and indigenous forces capable of restoring and maintaining internal security and to the extent practicable, of discouraging Chinese Communist invasion.

*Economic aid objectives*—

(1) To assist the governments of the three Associated States in their economic development so that they may attain the popular support which is the strongest political guarantee against the internal development of communism.

(2) To support the military effort of the French and indigenous troops.

*Thailand:*

*Military aid objectives*—To assist the Thai to equip and train forces capable of maintaining internal security and discouraging aggression.

*Economic aid objectives*—

(1) To bolster political stability and check the development of internal communism by aiding and inducing the Thai Government to extend economic services and reforms.

(2) To help build up rice exports for use in countries such as Japan and India.

(3) Consistently with the foregoing, to assist in the development and supply of strategic materials required by the U.S. and allies.

*Burma:*

*Military aid objectives*—No military aid program for FY 1952.

*Economic aid objectives*—

(1) To strengthen the will and ability of Burma to resist the development of internal communism by helping the Government to establish its authority and attract popular support by assisting in (*a*) the rehabilitation of the Burmese economy, (*b*) the inauguration or extension of public services in the fields of health, agriculture, transport, communications, education, technical training, etc.

(2) To increase the production and export of rice, minerals and other strategic products both to benefit Burma and for the use of the U.S. and its allies.

*Indonesia:*

*Military aid objectives*—No military aid program for FY 1952.

*Economic aid objectives*—

(1) To win the friendship of the Government and people of Indonesia for the U.S. by working with them in efforts to solve their pressing problems.

(2) To help the newly independent government establish its authority and attract strong popular support by assisting it to inaugurate or extend public services greatly needed in the fields of health, agriculture and forestry, transport, communication, education and technical training, home industry.

(3) To help restore the economy of the country from effects of the war and strengthen it so that (i) internal security may be firmly established; (ii) the social order may be stabilized and living conditions improved; and (iii) increased exports may benefit not only Indonesia but the U.S. and other countries needing Indonesia's produce.

(4) Consistently with the foregoing, to help plan, and help execute plans, for the development of the country's resources, and the development and supply of strategic materials required by the U.S. and its allies.

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*Philippines:*

*Military aid objectives*—To assist the Philippine Government to equip and train military forces capable of restoring and maintaining internal security and to discourage external aggression.

*Economic aid objectives*—

(1) To assist the Philippine Government in establishing a stable economy capable of self-support.

(2) To encourage the development of Philippine trade with Japan and the countries of Southeast Asia in order that Philippine economic dependence upon the U.S. may be lessened.

(3) Consistently with the foregoing, to assist in the development and supply of strategic materials needed by the U.S. and its allies.

B. SOUTH ASIA

*Aid Objectives*

To take such steps as are possible to permit:

(1) Maintenance of internal security.

(2) The encouragement of orientation toward the free world of these countries and conversely, the prevention of a drift toward neutralism or toward the Soviet orbit.

(3) The creation of social and economic conditions that will permit the growth and survival of non-Communist political institutions.

C. IRAN

*Military Aid Objectives*

To assist the Iranians in the development and maintenance of a military establishment capable of:

1. Maintaining internal security.
2. Carrying out a delaying action against an aggressive force.

*Economic Aid Objectives*

The general objective is to reverse the declining trend in production which is carrying the country in the direction of disintegration. The specific economic objectives are:

1. To get immediate action with minimum of further planning.
2. To benefit as many people as quickly as possible.
3. To supplement the military aid program.
4. To concentrate on the basic economic requirements of the country and to help develop those enterprises which are unlikely to attract private capital.
5. To stimulate the development of such enterprises as are likely to improve the Iranian balance of payments.

D. ARAB STATES AND ISRAEL

*Military Aid Objectives*

The general objective for the region as a whole is to assist in building up the defenses of the area on a basis of impartiality as between the Arab States and Israel in order to:

1. Assist these nations in the maintenance of internal security.
2. Increase the capabilities of these nations to harass and sabotage the invader and to assist in liberation in the event of Soviet conquest of the area.
3. Prepare the area for allied military use in the event of war.
4. Encourage orientation toward the free world of these nations and conversely, prevent their drift toward neutralism or toward the Soviet orbit.

*Economic Aid Objectives*

Our general objective is to make this weak and divided region a stable area, willing and able to resist internal subversion, prepared to keep the peace, and disposed to pursue objectives consistent with our own.

The specific economic objectives are:

1. To counteract popular hostility and suspicion of the U.S. by providing concrete evidence at the grass roots of U.S. constructive interest in the local welfare.
2. To strengthen support for the present governments or similar moderate governments by assisting them to provide more effectively for the needs of their people, especially in the fields of health, sanitation, education and agriculture.
3. To give some impetus to economic development in the essentially stagnant economies of the area:

   *a.* So as to provide opportunities for productive employment to the disaffected unemployed.

   *b.* So as to make possible the resettlement of the hundreds of thousands of Arab refugees.

4. To support the UN program for the relief and resettlement of the Arab refugees from Palestine.

### E. LIBYA, ETHIOPIA, LIBERIA

*Aid Objectives:*

To take such steps as are possible to insure:

1. Maintenance of internal security.
2. Acquisition by the U.S. of strategic bases.
3. A continued flow of strategic raw materials.
4. Continued orientation toward the free world.

### F. LATIN AMERICA

*Military Aid Objectives.* The basic objective of the MSP military grant aid program for Latin America is to help certain Latin American Governments to prepare their military forces to perform military missions which are essential to hemisphere defense, but which are generally beyond and above the requirements of their own local defense. These are missions which the U.S., in its own security interests, will have to perform in time of danger on its own if the Latin American Governments continue to be unable to carry them out. The political

objective is to further strengthen the will of the Latin American Governments and peoples to cooperate in all aspects of hemisphere defense.

*Economic Aid Objectives*

1. To stimulate the volume and types of production of basic materials required for defense production and stockpiling by helping the Latin American Governments to solve problems that would otherwise inhibit the expansion of raw materials production.

2. To assist in overcoming present weaknesses in the Latin American economic structure which contribute to political and economic instability to the end that the orientation of the governments and people of the Latin American countries toward the U.S. may continue to be at least as favorable as at present.

G. MULTILATERAL TECHNICAL ASSISTANCE

To support the technical assistance programs of the United Nations and the Organization of American States.

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700.5-MAP/10-1051

*Memorandum by the Director of the Management Staff (Heneman) to the Under Secretary of State (Webb)*[1]

[WASHINGTON,] October 4, 1951.

Pursuant to your request, I am attaching for your consideration a staff memorandum concerning alternative methods for submitting the 1953 Mutual Security Program. The advantages and disadvantages of submitting one to three bills are discussed.

This memorandum incorporates suggestions made by Messrs. Coolidge, Ohly, Martin and Brown[2] of the Department and by Mr. Finan[3] of the Bureau of the Budget.

Your views on this matter should be communicated to Mr. Coolidge and Mr. Ohly as early as possible.

H. J. HENEMAN

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[1] The source text was transmitted by William J. McWilliams, Director of the Executive Secretariat, to Charles A. Coolidge, Deputy Director, International Security Affairs, on October 10, with the following notation: "Mr. Webb has gone over the attached memorandum from Mr. Heneman concerning alternative methods for submitting the 1953 Mutual Security Program.

"Although he does not wish to give you a flat decision which will bind your hands on this matter, it is his opinion that Alternative C is the best way to handle the program in 1953."

Additional documentation on the development of the Mutual Security Program for Fiscal Year 1953 will be presented in a subsequent volume in the *Foreign Relations* series.

[2] Ben H. Brown, Jr., Deputy Assistant Secretary of State for Congressional Relations.

[3] William F. Finan, Assistant Director for Administrative Management, Bureau of the Budget.

[Annex]

*Staff Memorandum*

[WASHINGTON,] October 4, 1951.

Subject: 1953 submission for the Mutual Security Program

An early decision on the manner of presenting the 1953 Mutual Security Program is desirable, since the decision will influence to a considerable extent the procedure by which the 1953 program is developed for presentation to the Budget Bureau and Congress. The program is already in the early stages of development and authorizing legislation, including the amounts, is to be submitted to the Budget Bureau by November 15.

The component elements of the total program for 1953 will presumably include:

*a.* Military end-items and training (including infra-structure and similar costs if these are to be treated as Mutual Security rather than regular national defense items).

*b.* Economic aid in support of military production or otherwise directly related to military effort (including technical assistance of the European type, for productivity and similar purposes).

*c.* Economic aid to underdeveloped areas having a substantial supply or construction element in addition to technical assistance, but not primarily designed to support a military effort. This would include such programs as those currently contemplated for certain countries of Southeast Asia and for India.

*d.* Technical assistance under the Point Four Program, including contributions to UN technical assistance.

*e.* Contributions to the UN relief and rehabilitation programs for Korea and for the Palestine refugees.

There appear to be three alternative ways in which the total program containing these elements can be presented:

*Alternative A* would be to have a single bill including all the above elements, as was the case this year. Presumably such a bill would have a common statement of purpose and a single set of general provisions, with the substance of the program broken down either regionally, as this year, or functionally (military vs. economic vs. technical assistance), depending on which breakdown would enable a better presentation.

*Alternative B* would be to abandon the single-package approach in favor of three separate bills—one for military end-items and training, one for economic aid in support of the military effort, and one for aid to underdeveloped areas, which would include Point Four and might also include the Southeast Asia and India type of combined economic and technical aid and the UN Programs for Korea and the Palestine refugees. The theory of this arrangement would be to divide the program according to the administering agency, with Defense responsible

for the military programs, the new Mutual Security Agency for the economic aid in support of the military effort, and the State Department for the balance.

Under this plan the handling of the Southeast Asia–India type of program combining technical assistance with substantial economic grant aid, would depend on whether the Administration is content to accept the Conference bill restrictions on the future functions of the Mutual Security Agency. This decision in turn will be affected by the size and kind of programs planned for those areas. The Mutual Security bill as reported by the Conference would appear to prohibit the Mutual Security Agency from administering any programs of the Southeast Asia–India type after June 30, 1952, so that in 1953, unless this provision is changed, these programs would presumably be amalgamated with Point Four and would be administered by State. If these programs will in fact be reduced to little more than technical assistance programs in 1953, there would be no reason to alter this arrangement. However, if they are to contain substantial elements of emergency economic aid, it might prove desirable to seek to have them administered by MSA, in which case they should be included with other temporary economic aid in the second of the three bills.

*Alternative C* would be to have two bills—one including military aid and supporting economic aid, and the other including Point Four and the UN Programs for Korea and the Palestine refugees. The general theory of this arrangement would be to separate those programs directly related to the military build-up from those designed to promote security by giving help to underdeveloped areas. The Southeast Asia–India type programs would logically belong in the latter category, but might be put in the first bill if MSA were to be the administering agency.

*Relative Advantages*

From a practical standpoint, in the light of this year's experience, there are certain advantages to be gained from adopting Alternative B, the three-bill plan. In effect, it would put the responsibility on each of the three administering agencies to justify and defend its own share of the program and the accompanying legislative provisions. This should make for a more aggressive justification for each separate segment. In addition, it would make it possible to capitalize on Congressional support for those parts of the program which are strongest, without having them adversely affected by Congressional reaction to other program segments with less inherent appeal or less adequately presented.

*Disadvantages*

However, on examination, the three-bill alternative would seem to have some very serious disadvantages which should be carefully weighed before any decision is taken. Among these are:

1. It would be in effect a denial of the principle which has been made with great insistence in this year's presentation—that the military and supporting economic aid are interdependent, and to a considerable extent interchangeable, means to a single end of building defensive strength. This applies with most force to Europe, including Greece and Turkey, but would also be significant in the programs for Formosa, Indo-China, and the Philippines.

2. The Conference bill as reported lays great stress on the integration of the assistance programs both at home and abroad and makes the Director of Mutual Security directly responsible for the preparation and presentation of the total program. While this would not preclude separating the program into three bills, that would not appear to be a step in the direction of more effective integration of the total program.

3. The Bureau of the Budget and the Committees of the Congress have for some years now been pressing for a complete single package presentation for foreign aid. The Administration has frequently been criticized for presenting foreign aid items piece-meal and in fragmentary form.

4. Three separate bills would make it more difficult to have adequate provisions for transferability between the several types of aid or between regions—a flexibility which was considered important this year and presumably would be again.

5. There would be less opportunity for the State Department to make known its views on the foreign policy implications of military and supporting economic aid if these were handled in separate bills with other agencies primarily responsible for presenting them.

6. Separate bills would probably delay the process of hearings and Congressional action since, if the same Committees of both Houses handled all of them, they would have to take up each of several bills in succession. On the other hand, if military aid were in a separate bill it might be handled by the Armed Services Committees, which would further weaken the unity of the program.

Because of these disadvantages, most of which also apply, though with less force, to the two-bill alternative, the weight of argument would seem to be in favor of again presenting the program in a single bill, perhaps with primary subdivision between three major types of aid rather than by regions. However, serious consideration should also be given to Alternative C, which is free from the major disadvantage of the three-bill approach in that it recognizes the interdependence of military and supporting economic aid. One advantage of Alternative C is that it would permit a separate emphasis and attention to be focused on the problems of underdeveloped areas, avoiding the impression that they have a disguised military purpose. Programs for underdeveloped areas are as truly a part of our total security effort as assistance devoted directly to building military strength, but they do involve a different approach and emphasis and will presumably run for a longer time than the large-scale military build-up.

Consideration should also be given to whether the advantages of Alternatives B or C could not be obtained as well by separate titles within a single bill, since in any event the Director of Mutual Security

will, under terms of the Conference bill, be responsible for all phases of the presentation.

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S/S–NSC Files, Lot 63 D 351, NSC 114 Series

*Paper Prepared by the International Security Affairs Committee*[1]

TOP SECRET [WASHINGTON, October 12, 1951.]

NSC 114/2, Annex No. 2

FOREIGN ECONOMIC AND MILITARY ASSISTANCE PROGRAM

(Prepared by the Committee on International Security Affairs)

I. EUROPEAN NAT MEMBERS AND GERMANY

A. *Objectives and minimum tasks which the program is designed to fulfill*

The basic U.S. objective in Europe which the aid program is designed to aid in fulfilling is the creation by the NATO members of a level of defensive strength which will deter Soviet aggression.

At present the level of defensive strength necessary to deter Soviet aggression is defined from a military point of view in the Medium Term Defense Plan. This statement of military requirements sets forth those ground, naval and air forces which should be in the required state of readiness by July 1, 1954 and is an aggregate defense force requirement for the twelve NATO countries.

The purpose of the U.S. aid program is to provide such additional resources, in military or economic form, as are required in order to make possible attainment by the European NAT members and Germany of their share of the objective set forth above, assuming a maximum feasible contribution by them and by Canada, and the contribution by the U.S. of the forces which it has committed itself to furnish.

B. *Nature, magnitude and timing of the program*

1. *Elements comprising the program.*

In providing additional resources to the NATO countries, it is envisaged that a variety of methods may be utilized. Thus a major

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[1] NSC 114/2 and its annexes were prepared in response to the President's directive circulated on July 12 (p. 102), which required the preparation of recommendations regarding revisions or modifications of the policies and programs contained in report NSC 68/4, December 14, 1950 (for text, see *Foreign Relations*, 1950, vol. I, p. 467). For extracts from NSC 114/2, October 12, 1951, see p. 182.

NSC 114/2, Annex No. 2, was based on, and incorporated verbatim portions of, the following documents which were approved by the International Security Affairs Committee: ISAC D–20/1a, "Summary Statement of Recommended Foreign Aid Programs for Non-European Areas (Titles II, III, IV of MSP)," September 12, 1951; and ISAC D–20/2c, "Recommended Foreign Aid Programs for the European Areas," September 21, 1951. Documents in the ISAC D–20 series, which concerned itself with the review of programs for the National Security Council, are found in ISAC Files, Lot 53 D 443.

portion of the resources to be provided will be in the form of military equipment produced in the U.S. Another method to be used will be the direct financing of general imports from the dollar area. A third method will be the payment in dollars for military equipment produced in European countries and turned over to those countries or to other European countries for their use. It is important to appreciate that although the program is to be executed through the provision of what has generally been termed "military aid" and "economic aid" these are but different techniques for providing resources. The choice of techniques and the proportionate use of one as against the other will vary by country. Decisions will be made on the basis of comparative effectiveness in achieving U.S. objectives. The program proposed herein does not distinguish between that part thereof which will be supplied in the form of military equipment and that part which will be provided in other forms. In addition to the provision of material resources, the program will also include the provision of training and technical assistance.

2. *Assumptions and policies on which the program is based.*

It is the policy of the U.S. to provide assistance to the nations with which it is joined in the North Atlantic Treaty to enable the U.S. and those nations to participate effectively in arrangements for individual and collective self-defense in support of the purposes and principles of the charter of the United Nations.

The program is also based on the policy that there must be maintained in Europe a stable economic foundation for the military strength which it is our purpose to maintain and develop.

The program proposed herein is based on the following general assumptions:

*a.* There will be no general war.

*b.* U.S. military forces will not be engaged in hostilities in areas other than Korea.

*c.* In Korea, hostilities will either have ceased or will be at a low level of intensity, but Korea will remain divided and at least some UN forces will still be in Korea by the end of FY 1953.

*d.* There will be no changes in the present levels of East/West trade which increase the needs of Europe for assistance.

The program proposed herein is based on the following specific assumptions, the validity of which is commented upon under Section C of this paper.

*a.* The military requirements are to have those forces set forth in DC–28, as refined by the Standing Group in MRC 5/2,[2] plus a German force of 10 divisions and supporting tactical air and minor naval forces in being by July 1, 1954.

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[2] Neither printed. For text of DC–28, a report by the NATO Military Committee on Medium Term Plan Force Requirements, see vol. III, p. 1.

*b.* The European nations will be politically, economically and financially capable of making the defense expenditures set forth below in paragraph B–3.

*c.* The Congress will provide the funds requested in the Mutual Security Program for FY 1952.

*d.* Military equipment procured in the U.S. will be delivered in accord with the time phasing of the plan.

*e.* The requirement for assistance will not be affected by the creation of a European Defense Force.

*f.* The admission of Greece and Turkey to NATO will not increase the amounts of assistance which they will require.

3. *Estimated cost of the program.*

The best present estimate, based on late 1950 prices, of the cost of the MTDP, plus Germany and plus the non-NATO military expenditures of the European members of NATO is 72 billion dollars.* Of this amount 40 billion dollars represents costs of major matériel. This cost figure (72 billion dollars) covers the period Fiscal Year 1951 through Fiscal Year 1954.

For Fiscal Years 1950, 1951 and 1952, 11 billion dollars of U.S. military aid has been programmed. In Fiscal Year 1951 European defense expenditures equalled 6.7 billion dollars. (2 billion dollars of U.S. economic aid helped make these expenditures possible.) It is estimated that these countries in Fiscal Year 1952 (assuming U.S. aid is provided in the amounts proposed in the 1952 MSP) will spend the equivalent of 9.9 billion dollars for defense. The total of U.S. military aid and European outlays for defense for FY 1951 and FY 1952 is thus estimated at 27.6 billion dollars. [The European expenditures are made from budgets which include the counterpart of U.S. economic assistance provided or to be provided in these fiscal years.] [3]

If the total 1951–52 outlays against the four year cost are subtracted therefrom there remains to be met in FY 1953 and FY 1954 a cost of 44.4 billion dollars.

The present estimate of probable gross European expenditures for expense for FY 1953 and FY 1954 is 24.7 billion dollars, an average of 12.3 billion dollars per year. This is an increase of 5.6 billion dollars per year or about 84 per cent over FY 1951 and an increase of about 2.4 billion dollars or approximately 24 per cent over the estimate for FY 1952. A large portion of this increase is included in present country plans, primarily in those of the U.K. However, the gross figure of 24.7 billion dollars (or the 22.6 billion net figure) which the European countries as a group would have to contribute in FY 1953 and 1954 is possible only if United States assistance in fact is sufficient to

*Unofficial and not yet approved refinement of this estimate indicates a possible upward revision thereof to 76.8 billion dollars, resulting from later information on probable requirements for German forces. [Footnote in the source text.]

[3] Brackets in the source text.

cover dollar balance of payments deficits. It also assumes that the European efforts and U.S. aid for FY 1952 are as postulated above.

The difference between this expenditure and the cost of the requirement is thus calculated at 21.8 billion dollars. If a Canadian contribution of 1.0 billion dollars is deducted it can be reduced to 20.8 billion dollars.

The foregoing in tabular form:

*Financing the Total Cost of MTDP*

| | Billions of U.S. Dollars (1950 prices) | |
|---|---|---|
| 1. Total Cost of MTDP | | 72 |
| 2. *Less* FY 1951 and 1952 Assets | | |
| (a) Gross European defense expenditures† | 16.6 | |
| (b) U.S. end-item aid | 11 | |
| (c) Canadian end-item aid | 0.4 | |
| Total FY 1951 and 1952 Assets | | 28 |
| 3. MTDP Costs Not Met as of June 30, 1952 | | 44 |
| 4. Anticipated FY 1953 and 1954 Assets | | |
| (a) Gross European Expenditures‡ | 24.7 | |
| (b) Canadian end-item aid | .6 | |
| Total Anticipated FY 1953 and 1954 Assets | | 25.3 |
| 5. Remainder | | 18.7 |
| 6. U.S. Aid Assumed in Item 4(a) | | 2.1 |
| 7. Total Amount to be Met by U.S. Aid, if postulated total requirements are met | | 20.8 |

It is essential that contracts be let in FY 1953 for those items of equipment whose required time for production is such that this action is necessary to assure delivery of them in FY 1954. Consequently, the requirement of 20.8 billion for U.S. assistance set forth above cannot be assumed as divisible into two equal parts for appropriation in the respective fiscal years. It is estimated that 14.0 billion would be required to be obligated in FY 1953 and 6.8 billion in FY 1954. Actual expenditures would tend to be much higher in FY 1954 than in FY 1953; thus, obligational advance contract authority might be substituted for a considerable portion of the FY 1953 requirement, with a correspondingly higher requirement for appropriations in FY 1954.

†This level of expenditure is facilitated by an assumed $3 billion in U.S. aid which directly or indirectly makes dollars available to these countries to finance imports. [Footnote in the source text.]

‡This level of expenditure assumes about $2 billion in U.S. aid which directly or indirectly makes dollars available to finance imports. [Footnote in the source text.]

In the light of the lead time problems, and the importance of the timely production and delivery of equipment, it may well be necessary to seek additional authority to obligate funds during FY 1952 in order that the letting of contracts for production not be delayed until the second half of next year.

C. *Analysis of adequacy of program in terms of national security needs*

The adequacy of the program set forth above depends on the validity of the assumptions and calculations on which it is based. It must be clearly understood that there are serious questions on this score which make the program a tentative one which requires further study and analysis.

There are, specifically, the following considerations:

1. *The requirements*

The Medium Term Defense Plan is neither a rigid nor a detailed plan. The agreed aggregate requirements set forth in DC–28 have been studied and commented upon by SACEUR. The Standing Group has sought national reaction to its proposals for the allocation of unfilled DC–28 requirements among the NATO nations. It is anticipated that by October 7, 1951 the Standing Group will make recommendations as to a revised statement of force requirements which if and when approved would replace DC–28. It appears probable that there will be no net reduction in force requirements, although the composition of those forces may be altered.

It is expected that an examination to be made of the organization and equipment of all major national military units will provide a basis for achieving some economies in the previous estimates of equipment requirements for the forces which are needed. It is hoped that a substantial reduction in requirements will result therefrom. However, this may be offset by increased equipment requirements resulting from possible changes in the composition of forces.

Even if it is assumed that this examination results in substantial changes in estimates of the matériel requirements of the forces called for under the present MTDP, the amounts and kinds of forces cannot be expected to remain static. At this time it is impossible to predict whether equipment requirements will increase or decrease.

2. *The cost estimates*

Obviously the estimated costs of requirements will vary as the requirements are changed. The cost estimates set forth herein are based on the assumption that the force requirements are those set forth in DC–28 plus the assumed German forces, and that these force requirements will be allocated among the countries as proposed by the Standing Group. These estimates are based on late 1950 prices and general price levels have already substantially increased. They do not take into account any reduction in matériel requirements which may result from the more stringent examination thereof envisaged in paragraph 1

above. Nor do these estimates reflect any reductions in the cost of production in the U.S. (Some items of equipment will have a lower unit price than heretofore due to the fact that the cost of plant expansion in the U.S. has been absorbed in the cost of equipment already produced.) Furthermore, these costs estimates do not reflect any reduction in price of U.S. furnished equipment which may occur if the equipment is classified as excess to U.S. needs.

3. *Estimates of European Defense Expenditures*

The estimates set forth above do not take into account two important factors. First, the estimate of European expenditures in fiscal year 1952 presumes United States aid at the levels proposed by the Administration in the fiscal year 1952 Mutual Security Program, which presumption is now doubtful.

Secondly, these estimates do not take into account certain adverse economic trends in Europe which have only recently become apparent.

The economic and psychological effect of these new developments will decrease the ability of European governments to increase defense budgets to the degree assumed in this paper. ISAC cannot assess the offsetting impact of other possible actions, not considered in developing the estimate, such as off-shore procurement and broader eligibility of items for transfer as military assistance.

On balance, it is concluded that we cannot depend upon European expenditures being as high in fiscal years 1952, 1953 and 1954 as estimated in this paper.

4. *U.S. Deliveries*

As of July 31, 1951, the U.S. had shipped to Title I countries military matériel valued at 729.9 million dollars out of the FY 1950 program of 1,119.9 million dollars of end item aid, and 165.2 million dollars out of 3,963.6 million dollars programmed under FY 1951 appropriations. Deliveries of major items under the FY 1950 program have been completed, with exceptions in certain categories. A target date for the completion of deliveries under the FY 1951 program has been set at June 30, 1952. Deliveries for the first seven months of 1951 were at the rate of 78 million dollars per month. Equipment must be delivered in larger quantities and at a more rapid rate (about 400 million dollars per month) if the program is to meet the needs of national security.

The Joint Chiefs of Staff have under consideration a revised directive relating to allocation of United States munitions production as between the various military programs. ISAC is not informed as to whether the more rapid rate of munitions deliveries needed to attain the programs of Title I countries, as well as continuing combat expenditures in Korea and other world-wide commitments, can be attained by re-allocation, or whether there must be an increased rate of production even at the cost of reducing production for civilian uses.

5. *U.S. aid in FY 1952*

It is clear that the assumptions of Congressional approval of the proposed amounts of aid are erroneous. The effect, as previously stated, is to increase the costs which must be met in FY 1953 and FY 1954.

*Conclusions*

1. On the basis of the assumptions in this report, the U.S. aid requirement for NATO defense purposes (including Germany) in FY 1953 and 1954 would be 20.8 billion dollars.

2. Preliminary revisions of the estimated requirements for German forces suggest an additional cost of perhaps 5 billion dollars.

3. The resultant figure for U.S. aid requirement is 25.8 billion dollars. This figure cannot be considered to be accurate. On balance, the factors discussed in this paper indicate the figure may be too low.

*Special Note*

[The arrangements at Ottawa for a special temporary commission of the North Atlantic Council should produce before December firmer estimates of total requirements and the economic resources available to meet them].[4]

II. OTHER EUROPEAN COUNTRIES (AUSTRIA, TRIESTE, SPAIN AND YUGOSLAVIA)

Aid programs for these countries for FY 1953 and FY 1954 have not yet reached the stage of development where it is possible to state with precision the answers to the points outlined in the memorandum from Mr. Lay.

It is assumed that it will suffice for the purposes of the present NSC review to state the following general observations.

1. No funds for military assistance for Austria or Trieste will be required in FY 1953 or FY 1954.

2. $300 million dollars will probably be adequate to cover the needs of Austria and Trieste for economic assistance in FY 1953 ($150 million) and FY 1954 ($150 million).

3. $100 million will probably be required as a minimum to cover the needs of Yugoslavia for economic assistance in FY 1953 ($50 million) and FY 1954 ($50 million).

4. An insufficient basis exists for estimating Yugoslav military assistance requirements for FY 1953 and FY 1954.

5. No decisions have been reached as to whether and how much military and/or economic aid will be necessary to attain our objectives in Spain.

6. There is no basis for accurately estimating the total of requirements of these four countries for economic and military assistance

[4] Brackets in the source text. For documentation on the NATO Council Meeting in Ottawa, September 15–20, 1951, see vol. III, pp. 616 ff.

in FY 1953 and FY 1954, but it may be of the order of magnitude of $1 billion.

### III. OTHER EUROPEAN COUNTRIES (GREECE AND TURKEY)

ISAC has already furnished the NSC with estimates of the costs of military assistance programs for Greece and Turkey in FY 1953 and FY 1954.

The best present rough estimate of the total cost of economic assistance required for these countries for FY 1953 and FY 1954 is $700 million.

### IV. NON-EUROPEAN AREAS

*Introductory Note.* The development of foreign aid programs for the non-European areas for FY 1953 will not be complete for several weeks. Accordingly, at this time it is impossible to do more than summarize the objectives of the programs and to outline in a very rough and tentative manner the elements of the proposed programs. Only overall estimates of the cost of the various programs can be made that will be at all meaningful and these estimates must be considered highly tentative. With respect to FY 1954, the overall estimates of costs are only reasonable guesses.

In view of the foregoing, this statement is submitted by ISAC for NSC consideration in the form of a summary covering the entire area.

A. *Objectives and Minimum Tasks.*

*Military Aid Programs.* Within the general framework of U.S. strategic objectives, the specific objectives of the military aid programs for FY 1953 in the non-European areas (including Greece and Turkey) will include the following:

1. To assist Japan to defend itself and to participate in the defense of the free world.
2. To assist the ROK forces to assume the maximum possible responsibility for the defense of South Korea.
3. To assist the Chinese Nationalist Government to achieve the capability of repelling a Chinese Communist attack, in conjunction with the U.S. Seventh Fleet.
4. To assist the French and Associated States forces in Indo-China to restore and maintain internal security and to discourage Chinese Communist aggression.
5. To assist Thailand to maintain internal security and discourage aggression.
6. To assist the Philippine Government to restore and maintain internal security and discourage external aggression.
7. To assist the Government of Iran to maintain internal security and conduct a delaying action in the event of aggression.
8. To assist the Governments of Greece and Turkey to maintain internal security, to discourage aggression, and, if necessary, to repel

attacks by Soviet satellites and to delay, to the maximum extent practicable, an attack by the Soviet Union itself—all in conformity with their obligations as (assumed) members of NATO.

9. To orient the Arab States and Israel more firmly toward the free world and to enable them to maintain internal security and discourage aggression.

10. To enable certain Latin American States to undertake assigned tasks in the defense of the hemisphere in the event of war which would otherwise have to be undertaken by the United States.

*Economic Aid Programs.*

The objectives of economic aid programs for FY 1953 for the non-European area (not including Greece and Turkey) will include the following:

1. To support the military effort, as in Formosa, Indochina and Iran.

2. To offset the impact of the military effort, including the military aid program, as in Formosa and Indochina.

3. To strengthen support for friendly governments by assisting them to provide more effectively for the needs of their people (applicable in all cases).

4. To improve governmental and popular attitudes toward the free world and the United States, as in Southeast Asia, South Asia, the Arab States and Iran, or, where such attitudes are satisfactory, to maintain them at that level, as in the case of the Latin American States, the independent states of Africa, and Israel.

5. To prevent economic deterioration threatening political stability, as in India and Iran.

6. To bring about an increase in the output and facilitate the distribution of strategic materials needed for common defense, as in Thailand, Indonesia, Philippines, and Latin America, insofar as consistent with basic political objectives.

7. To increase the capacity of the area to produce essential civilian goods, especially foods, so as to reduce the drain on U.S. output and shipping in the event of an emergency (as in Southeast Asia, South Asia, Near East and Ethiopia, and Latin America).

8. To support the multilateral technical assistance programs of the United Nations and the Organization of American States.

B. *Description of Programs.*

1. For the reasons stated above, it is not possible at this time to describe in any detail the various programs to be proposed for FY 1953 or FY 1954. In general, the programs will be of the same character as those proposed for FY 1952.

The military aid program will consist, as in FY 1952, of the furnishing of end-items and training needed to achieve certain desired capabilities. Two principal elements will control the timing of the programs: the availability of equipment and personnel for training,

and the speed with which the governments in question can effectively absorb and utilize the equipment. The military aid programs will of course vary in emphasis and mode of procedure. The situation in Indochina, for example, is unique in that it is a combat area; so long as that situation continues, Indochina's needs will continue to command top priority. The proposed military aid program for the Arab States and Israel, which is not yet underway, will be peculiar in that (*a*) requests for aid will have to be reviewed by a tripartite committee; (*b*) the object of the program is primarily political; (*c*) the principle of impartiality will have to be followed. Military aid programs for Latin America will also be different from other programs in that equipment will be furnished for the specific purposes of enabling states to perform hemispheric defense tasks which they will have agreed to perform. Little can now be said with respect to the aid programs which will be necessary for Japan and Korea, but they will probably be substantial.

On the economic aid side the programs will likewise vary in emphasis and scope. In most cases, the bulk of the program will be in the nature of technical assistance, supplemented where necessary by supplies needed to make such assistance effective, directed toward improvements in agriculture, health and sanitation, public administration, education, transportation and mineral resources development.

In some areas, such as Indochina and Iran, the economic program will have to include a considerable component for support of military needs. In an area such as Formosa, the program will have to be primarily a supply program to support the military effort and offset the impact of military expenditures; some industrial development will also be included, designed to help Formosa in the direction of achieving a supporting economy. Some programs (Indochina and the Philippines, as well as Formosa) will include substantial imports of salable commodities and consumer goods for the purpose of financing the local costs of technical assistance projects and preventing runaway inflation.

2. The programs are based upon the fundamental policy that it is in the interest of the United States to prevent further Communist encroachment upon the free world, to maintain a Western orientation on the part of those states now so oriented and to achieve a more decisive Western orientation on the part of those states which are now seeking to pursue a neutral course.

The main assumptions upon which the programs will be based are as follows:

(*a*) There will be no general war.

(*b*) The aid programs for FY 1950 and 1951 will have been successfully completed, and the proposed FY 1952 programs will have been completed in varying degrees.

549-782—79——28

(*c*) In general, the political complexion and orientation of the various countries, the state of relations between them, and their economic conditions will be about the same as today, except as they may be improved by the FY 1952 program.

(*d*) The United States will have been successful in its efforts to persuade aid recipients to comply with whatever standards are required with respect to East-West trade so that the extension of aid will not be prohibited.

(*e*) A peace treaty will have become effective between Japan and most of the non-Communist nations formerly at war with Japan, and security commitments will have become effective with Australia, New Zealand, the Philippines and Japan.

(*f*) In Korea, hostilities will either have ceased or will be at a low level of intensity, but Korea will remain divided and at least some UN forces will still be in Korea by the end of FY 1953.

(*g*) Communist China will not have attacked Formosa, Indochina, Burma, or Thailand but the threat of attack will be intensified.

(*h*) The Chinese Communists will remain firmly aligned with Moscow and will not have developed clearly defined Titoist tendencies.

(*i*) Tension between India and Pakistan will continue but without actual hostilities.

(*j*) There will have been no Soviet attack upon Iran but the oil dispute will remain unresolved until the beginning of FY 1953.

(*k*) A *modus vivendi* will have been worked out between the UK and Egypt and a Middle East defense board will have been established and will be making progress in securing local participation.

(*l*) Greece and Turkey will have been admitted to NATO.

3. The Executive Branch proposal for *military aid* for FY 1952 for the non-European areas, including Greece and Turkey, amounted to just over $1 billion. At the present time, it appears that the requirements for FY 1953 will be substantially higher, with the principal increases in Japan and Korea, Greece and Turkey, and possibly in Latin-America. It seems reasonable to expect that the total for FY 1954 will be lower than for FY 1953.

The present proposals compared with FY 1952 proposals to Congress are as follows (in millions):

| Area | FY 1952 | FY 1953 | FY 1954 |
|---|---|---|---|
| Title II | $415 | $596.8 | $292 |
| Title III | 555 | 467.4 | 383.6 |
| Title IV | 40 | 340 | 85 |
| Japan and Korea | 0 | 300 | 200 |
| | $1,010 | $1,704 | $961 |

These proposals have not been reviewed in ISAC and may not be said in any sense to have ISAC approval. Past experience with comparable proposals made at the working level would indicate that reductions might be expected. In this case, however, even that prediction is dangerous because of the fact that the estimates for Japan and Korea are highly tentative and may prove to be much too low.

The total amount of *economic aid* requested for the non-European area (not including Greece and Turkey) in FY 1952 amounted to 522 million dollars. This included amounts required for multilateral technical cooperation programs, and also $50 million for the solution of the Palestine refugee problem and $112,500,000 for UNKRA. It now seems likely that the FY 1953 total will be higher, but that the requirements for FY 1954 will be lower than FY 1953.

The proposals for economic aid are as follows (in millions):

| Area | FY 1953 | FY 1954 |
|---|---|---|
| Far East | $370 | $333 |
| Near East, Africa and South Asia | 429 | 299 |
| Latin America | 63 | 63 |
| Multilateral technical assistance | 17§ | 21§ |
| | $862 | $695 |

Again, these proposals cannot be said to have ISAC approval in any sense. Previous experience would indicate that the final Executive Branch figures would show overall reductions.

The following Table compares the present proposals with the proposals made to Congress for FY 1952:

*Economic Aid*

| | FY 1952 | | FY 1953 (Proposed) | | FY 1954 (Proposed) | |
|---|---|---|---|---|---|---|
| *Far East:* | | | | | | |
| Korea (UNKRA) | $112.5 | | $162.5 | | $162.5 | |
| Formosa | 90 | | 90 | | 70 | |
| Indochina | 29.3 | | 40 | | 40 | |
| Burma | 14.5 | | 20 | | 20 | |
| Indonesia | 8 | | 10 | | 8 | |
| Philippines | 35.4 | | 40 | | 25 | |
| Thailand | 7 | | 7 | | 7 | |
| | | 297 | | 370 | | 333 |
| *Near East, Africa, and South Asia:* | | | | | | |
| Iran | 24 | | 100 | | 20 | |
| Arab States and Israel | 97 | | 175 | | 125 | |
| Ind. African States | 4 | | 4 | | 4 | |
| South Asia | 78 | | 150 | | 150 | |
| | | 203 | | 429 | | 299 |
| Latin America | | 22 | | 63 | | 63 |
| Multilateral Technical Assistance | 13§ | | 17§ | | 21§ | |
| | | 522 | | 862 | | 695 |

§ Included in regional figures, and therefore not added into totals. [Footnote in the source text.]

C. *Analysis*

On the assumptions stated above, it is felt that the proposed programs will in general meet the needs of national security and that no serious deterioration in the present situation in the area is likely to occur. These assumptions, however, are not forecasts and to some extent may be unduly optimistic.

As is obvious from the summary of objectives in Section A of this paper, in some cases the objective of a military aid program is to enable the recipient country to repel external aggression, in others merely to delay or discourage it. Obviously a program which is designed to achieve the more limited type of objective is less satisfactory from the national security point of view. However, it is fair to state that, in most cases where the objective is of the limited type, the more ambitious objective—to enable the country to resist aggression—could not be achieved within the foreseeable future by means of an aid program, no matter how large. In other words, in these cases the failure fully to meet national security needs follows inevitably from inherent weaknesses, in terms of manpower and other resources, in the recipient countries, not from the size of the aid programs.

The principal factors limiting the proposed military aid programs are shortages of equipment and, to a much less extent, of qualified personnel, and the limited capabilities of certain other countries effectively to utilize large amounts of equipment. In general, an attempt has been made to prejudge possible Congressional reactions.

Insofar as economic aid is concerned, it is even more difficult to estimate the degree to which the proposed programs meet the needs of national security. About all that can be said is that these programs contribute substantially to the national security. While in some cases much larger programs would doubtless contribute more, no economic aid program, whatever its size, can guarantee the achievement of the desired objective in any given case. At best, aid programs can only influence the course of events, they cannot control them. In determining the size of economic aid programs, the practical possibilities, both in terms of the domestic political situation and in terms of the overall strain on U.S. resources, must be an underlying consideration. However, no effort will be made to adjust specific programs to possible Congressional reaction.

*Current Economic Developments*, Lot 70 D 467, FRC Acc. No. 72A6248

## *Current Economic Developments*

[Extract]

[WASHINGTON,] October 15, 1951.

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### *Mutual Security Act Adopted by Congress* [1]

The Mutual Security Act of 1951 authorizing military, economic and technical assistance to friendly countries was signed by President Truman October 11 [*10*]. The appropriation bill, which is expected to pass both houses of Congress this week, will if the provisions of the House Bill are adopted, provide $7,482,790 of new money and $816,727,307 of funds previously appropriated but not yet spent. All the President's requests for specific purposes were granted except $45,000,000 for the US contribution to the United Nations Korean Rehabilitation Agency. However, unobligated balances of last year's appropriation for assistance to Korea continues to be available.

*Fund Provisions.* The House, (and it is expected that the Senate will approve) has authorized that funds be distributed as follows:

| Europe | Military | Economic |
|---|---|---|
| Near East and Africa | $5, 072, 476, 271 | $1, 022, 000, 000 |
| Asia and the Pacific | 396, 250, 000 | 160, 000, 000 |
| American Republics | 535, 250, 000 | 237, 155, 866 |
| | 38, 150, 000 | 21, 245, 653 |
| Total | $6, 042, 126, 271 | $1, 440, 401, 519 |

A certain amount of leeway is given the President in the administration of the above funds as the legislation permits the transfer of not more than 10% of the funds specified in the above figures for each area to be used for the same type of aid in a different area. In the case of Europe, it is provided that up to 10% of the total appropriation may be transferred from military to economic assistance or vice versa.

A restriction on the use of the funds is a provision that not less than 10% of the funds spent under the Economic Corporation Act be for loans rather than grants. This provision will apply to Europe and the Stem Program of Southeast Asia and to any other area where the decision is made to use the ECA Act, such as South Asia and the Middle East. Restrictions on the use of counterpart have been modified to remove the statutory prohibitions against use of the 95% portion in other than the country of origin and to postpone the date of final distribution of balances to the date of termination of assistance. Counterpart provisions also provide that the equivalent of not less than

[1] For additional information on the action taken by Congress, see editorial note, p. 389.

$500,000,000 of all counterpart generated must be used exclusively for military production, construction, equipment and materials. The Act also broadens the guaranty authority of the Economic Corporation Act to cover any area where assistance is authorized under the Mutual Security Act against certain non-business risks such as expropriation and convertibility. Provision is also made for the purchase for dollars of local currency needed for aid programs.

In the case of economic aid funds allotted to Europe, an amount not to exceed $55,000,000 may be used to promote the production of strategic materials. A special provision is included in the section dealing with allocation of funds to Europe providing that a sum not to exceed $100,000,000 of the military allocation may be used for any selected persons who are residing in or escapees from the USSR or the satellites, including eastern Germany and the Soviet occupied section of Austria or any other countries absorbed by the USSR, either to bring such persons into elements of the military forces of NATO or for other purposes determined by the President as useful to the defense of the North Atlantic area and the security of the US.[2] A sum of $10,000,000 is usable from the economic allocation for Europe for assistance in the emigration of surplus European manpower. Since economic aid can be granted to any country in Europe which is receiving military aid, the European appropriation provides by inference for the provision of economic assistance to Spain and Yugoslavia.

Greece and Turkey for the purposes of military aid are included under the provisions dealing with the Near East and Africa. Military assistance for Greece, Turkey and Iran is set at $396,250,000, although 10% of this amount can be used for any other country of the Near East area which the President determines is of defense importance. The language of the section pertaining to economic aid is broad enough to include the entire continent of Africa outside of Dependent Overseas Territories, and may be spent either in line with the provisions of the Economic Cooperation Act or the Act for International Development. In addition, up to $50,000,000 is provided for economic aid to Palestine Arab refugees and may be contributed either to the UN or spent directly by any US agency. An additional $50,000,000 is provided for refugee relief and resettlement projects in Israel. It has not yet been determined who shall administer the Israel funds.

In the case of Asia and the Pacific, military aid is granted for the general area of China and this includes the Philippines and the Republic of Korea. Except for the Republic of Korea, economic funds

[2] Information on United States policy regarding defectors from areas under Soviet control is included in documentation on general U.S. policies with respect to the Soviet Union and Eastern Europe in volume IV.

for this area are to be spent pursuant to the Economic Cooperation Act or the Act for International Development.

Economic assistance for the other American Republics is to be spent for technical assistance programs only.

*Other Provisions.* To be eligible for aid certain commitments must have been agreed to with the US within 90 days. To obtain military aid the country must have agreed to promote international understanding, good-will, maintain world peace, take mutual action to eliminate the causes of international tension, fulfill military obligations under agreements to which the US is a party, make full contributions to its own defensive strength and the defensive strength of the free world, take reasonable measures to develop defense capabilities and insure effective utilization of assistance provided by the US. To obtain economic or technical assistance for purposes other than defense, the recipient country must agree to promote international understanding and good-will, maintain world peace and take mutually agreed action to eliminate causes of world tension. Amendment of both ECA and MDAP bilaterals will probably be necessary, and maybe Point IV agreements.

An anti-cartel provision is included in the new Act, the wording expressly stating that it is the policy of Congress that the Act should be administered so as to eliminate barriers and provide incentives to increased participation of free private enterprise in the development of resources in foreign countries and, to the extent that it is feasible and does not interfere with the achievement of the purposes of the Act, to discourage cartel and monopolistic business practices, and to encourage the development and strengthening of the free labor movement.

Provision is also made to allow suits in US courts for infringement of patents and compensation for know-how used in the assistance programs. The patentee or owner of know-how under this provision. is barred from injunction suits against individuals and may only sue the US Government.

*Administration of the Program.* The new law establishes a Director for Mutual Security in the White House and a Mutual Security Agency (MSA) as the successor organization to the Economic Cooperation Administration to operate the economic aspects of the program. The Department of Defense is primarily responsible for the military end items. State will remain responsible for Point IV. The Act places in the White House the responsibility for coordination of MSA, Defense and State in this regard. Thus the former coordinating arrangement, ISAC, which was headed by State, is to be abolished. W. Averell Harriman has been nominated as Mutual Security Director.[3] In his new position Mr. Harriman will be responsible for super-

[3] Mr. Harriman was confirmed by the Senate on October 19.

vision and general direction of the Mutual Security Program and administer the Agency. He will also have the coordinating functions in the White House as Director. The new Agency must be placed into operation within the 60 days after the Director takes office, simultaneously with the abolition of the Economic Cooperation Administration.

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*Editorial Note*

The National Security Council Meeting of October 17, 1951, was devoted in part to a discussion of military assistance. For an account of that meeting by Secretary of State Acheson, see memorandum of conversation by Lucius D. Battle, Special Assistant to the Secretary of State, October 18, page 242.

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700.5 MAP/10–1951

*The Secretary of State to the Chairman of the House Appropriations Committee (Cannon)*[1]

[WASHINGTON,] October 19, 1951.

MY DEAR MR. CANNON: I wish to express to you and Senator McKellar my grave concern over the 5% cut the Senate has made in the appropriations under the Mutual Security Act of 1951.[2]

The orginal request for $8.5 billion was determined upon only after careful screening by the Bureau of the Budget. It was considered, and I think rightly so, the smallest amount which was needed to obtain the security goals we seek during the current fiscal year. The cut of over $1 billion made by the authorizing legislation leaves us in a most difficult situation.

We have been reprogramming to reflect this cut and are reviewing the form in which our programs will be administered in an effort to minimize the effect of the cut or, to state it in reverse, in an effort to maximize the effect of the reduced amount of dollars. To make a further cut now of 5% is to endanger our objectives to such an extent that I feel obliged to urge you and your Committee to refuse to take the responsibility of doing so. I ask you earnestly to restore the 5% cut which the Senate has made.

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[1] Drafted by Charles A. Coolidge, Deputy Director, International Security Affairs. An identical letter was sent to Senator Kenneth McKellar, Chairman of the Senate Appropriations Committee.

[2] On October 18, the Senate voted 57–13 to approve the decision of the Senate Appropriations Committee to cut 5% from funds for the Mutual Security Program and to add an unrequested $100 million for Spain. The House had previously approved (October 11) the full amount of the program virtually as requested.

I can add little except emphasis to the points which have been made before your Committees. I do, however, wish to restate two of the more important considerations.

1. The Mutual Security Act has been loosely called the "Foreign Aid Bill". This is a misnomer. It is truly a United States security measure. The areas to which arms will go are vital to the security of the United States; Europe, Greece, Turkey, Formosa, the Philippines and Indochina are of the highest importance to our defense. If we loose [*lose*] the manpower, technical skill, manufacturing facilities and raw materials of Europe and her colonies to Soviet domination, we face a grim future in which successful defense of our own borders will be immeasurably more difficult and the cost immeasurably greater than if Europe is able to defend itself. Furthermore, the base for bearing the increased cost will be much narrower because we will lose much of the trade and raw materials on which our prosperity depends. Under those conditions our standard of living would bear no resemblance to that of today. The loss of Greece and Turkey would leave General Eisenhower's southern flank unguarded, would unbar the land bridge to Africa and would open to the Soviets the rich oil fields of the Middle East and the main road to the Far East with its wealth of raw materials. I need not dwell on the seriousness of enemy domination of Formosa, the Philippines and Indochina. The economic aid under the Mutual Security Act which is not in support of military effort is almost wholly devoted to discouraging communist aggression by imparting to the peoples in underdeveloped areas the know-how to use their own natural resources to rid themselves of hunger and disease—sources of the discontent on which communism feeds. Such aid is by far the most effective weapon we can use against communism in these areas.

2. The Mutual Security Act is truly an economy measure. There is no question but that we obtain more defense effort per $1 of military aid or supporting economic aid than for a corresponding dollar spent on our own armed forces. Europe is the largest recipient of this type of aid. For each unit of military forces in Europe we pay only the cost of a part of its armament. Troop pay, housing, personnel equipment, most of the lighter arms and their ammunition, and some of the heavier arms are provided by our partners. The economic aid we furnish in support of military effort is estimated by ECA to produce on the average at least $3 of military results for each $1 of aid. In no other way can we obtain in Europe or elsewhere anything like the amount of military defense effort which we obtain through the Mutual Security Act.

I can add that the cut already made by the authorizing legislation will put us behind in meeting our schedule for arming General Eisenhower's troops. Moreover, since the program for Europe was presented to the Congress, two of our principal partners in the North Atlantic Treaty Organization are experiencing unforeseen financial problems—problems which endanger their ability to provide the forces they have agreed to place under General Eisenhower's command. An important factor in this grave situation is that our ability to aid them has been crippled by the cut already made by the author-

izing legislation. A further cut would very much increase the already great danger.

I, therefore, urge upon you and your Committee that the only wise action from the point of view of the security of the United States is to restore the 5% cut which the Senate has made.[3]

Sincerely yours, DEAN ACHESON

[3] On October 19, House and Senate conferees agreed to uphold the Senate's 5% cut in funds for military aid to Europe but to restore all other cuts. The conferees also confirmed the additional funds for Spain voted by the Senate. On October 20, both the House and the Senate approved this compromise by voice vote. H.R. 5684, the Mutual Security Appropriations Bill, provided $7,328,903,976 in new funds and $816,727,306 in re-appropriated funds for the operation of the Mutual Security Program. President Truman signed the measure on October 31 (Public Law 249, 82d Cong.; 65 Stat. 70).

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Truman Library, Truman Papers, PSF–General File

*The Secretary of Defense (Lovett) to the President*

TOP SECRET WASHINGTON, October 23, 1951.

DEAR MR. PRESIDENT: The information requested in your letter of 10 October 1951 [1] concerning deliveries of military end items to countries receiving assistance pursuant to the Mutual Defense Assistance Act of 1949, as amended, is submitted herewith in accordance with the extension of time granted by your office. I believe this information will be found to be responsive to your inquiry with one exception, viz., the request for information concerning deliveries projected at the beginning of calendar year 1951, broken down between United States forces and forces of other countries. It has not been possible to furnish this particular breakdown because procurement for mutual defense assistance programs is merged with procurement for United States forces, and at the procurement planning stage no attempt is made to indicate procurement for United States and other forces separately.

I have been concerned for some time with the problem of obtaining from production sufficient military end items to satisfy the requirements of United States forces as well as our foreign needs. At my direction all three Services are continually reviewing their procurement plans for long-lead-time, hard-to-get critical items of military equipment. The purpose of this continuous review is to identify those critical items of military equipment where an increase in production is possible under existing circumstances and to adjust our production accordingly. A statement of the principal obstacles to production which we are now encountering is, in accordance with your request, inclosed herewith.

The policies and priorities for allocation of military equipment,

[1] Not printed. (Truman Library, Truman Papers, PSF–Subject File)

referred to in the last paragraph of your letter, is under continuing review by the Joint Chiefs of Staff. Inclosed is a statement of these policies and priorities as recommended by the Joint Chiefs of Staff on 27 October 1950, together with their latest recommendations thereon, dated 12 October 1951. In accordance with your request, I have taken no decision with respect to these latest recommendations, but it should be noted that in their memorandum of 12 October 1951 the Joint Chiefs of Staff reaffirm the general principles for the allocation of finished munitions as previously recommended by them, and which have been in effect since the date of their approval by the Secretary of Defense on 7 November 1950.

With great respect, I am
Faithfully yours,

ROBERT A. LOVETT

Inclosures—6 [2]

1. Obstacles to Production
2. Allocation Policies
3. MDAP Funds
4. Production & Delivery Schedules—Army
5. Production & Delivery Schedules—Navy
6. Production & Delivery Schedules—Air Force

[Enclosure 1]

## OBSTACLES TO PRODUCTION

The following paragraphs explain some of the obstacles which have been encountered in fully implementing projected delivery plans during the past eight months, and obstacles expected to be encountered in fully implementing such plans in the coming months. In addition to the obstacles listed below, production difficulties pertaining to specific items are explained, where pertinent, on the individual pages of the Production and Distribution Schedules, Inclosures 4, 5, and 6.

*Program Implementation:* Several obstacles have been encountered in fully implementing projected delivery plans. One important factor has been the indefinite extent and nature of the total program which the Defense Department was to undertake when related to the amount of funds that would be available for its implementation.

*Machine Tools:* Until recently, the machine tool industry has been relatively slow in stepping up production of critically needed items of equipment. Machine tools that are in extremely short supply in the United States are presently adversely affecting the production sched-

[2] Enclosures 4, 5, and 6 do not accompany the source text. Enclosure 3 is filed with the source text, but is not printed here.

ules of North Atlantic Treaty countries, particularly France, where several additional military production programs are being held up, pending delivery of the machine tools ordered from United States manufacturers. The non-delivery of these machine tools which are needed to produce end items is definitely an obstacle which affects mutual defense assistance deliveries and production scheduling in North Atlantic Treaty countries.

*Material Shortages:* Spot shortages of certain critical materials in specific forms and shapes have and will continue to delay production.

*Strikes:* In many critical areas of industry, strikes have been a large contributing factor. Many costly and prolonged work stoppages have delayed, and are continuing to delay production of raw materials, finished and semi-finished products.

*Facility Expansion:* Fabrication and production capacity has not been available in a few instances, to meet requirements, such as large armor castings, optical fire-control equipment and electronic components. Expediting Production Funds have been made available to industry for such expansion which will bear fruit in the near future.

*Personnel Shortage:* There has been and will continue to be a shortage of trained personnel in government and industry. Tool makers, die sinkers and other highly skilled personnel are examples of shortages which will undoubtedly continue to impede production. The effect of the ceiling on graded personnel imposed in the Defense Appropriation Act of 1952 has not been fully evaluated, but it may limit the number of personnel available for inspection, contract negotiation and production expediting.

*Engineering and Development:* In an attempt to make the most modern equipment available, production efforts have been directed towards some items newly designed and engineered which had not been fully tested as to producibility or performance. Some delays have resulted because of necessary engineering changes and lack of "know-how" in producing these items of equipment.

[Enclosure 2]

## Allocations Policies

The policies followed in making allocations of finished munitions among United States forces and forces of other countries stem from Section 401 of the Mutual Defense Assistance Act of 1949, as amended (P.L. 329–81st Congress) which provides as follows:

"Sec. 401. Military assistance may be furnished under this Act, without payment to the United States except as provided in the agreements concluded pursuant to section 402, by the provision of any service, or by the procurement from any source and the transfer to eligible nations of equipment, materials, and services: *Provided*, That no equipment or materials may be transferred out of military stocks if

the Secretary of Defense, after consultation with the Joint Chiefs of Staff, determines that such transfer would be detrimental to the national security of the United States or is needed by the reserve components of the armed forces to meet their training requirements."

Section 506(*b*) and (*c*) of the Mutual Security Act of 1951 (P.L. 165–82nd Congress), also relates to allocations, and provides as follows:

"Sec. 506(*b*). The establishment of priorities in the procurement, delivery, and allocation of military equipment shall be determined by the Secretary of Defense. The apportionment of funds between countries shall be determined by the President.

(*c*). Notwithstanding any other provision of law, during the fiscal year 1952 the Secretary of Defense may furnish (subject to reimbursement from funds appropriated pursuant to this Act) military assistance out of the materials of war whose production in the United States shall have been authorized for, and appropriated to the Department of Defense: *Provided*, however, That nothing in this Act shall authorize the furnishing of military items under this subsection in excess of $1,000,000,000 in value. For the purposes of this subsection (1) "value" shall be determined in accordance with section 402(*c*) of the Mutual Defense Assistance Act of 1949 as amended, and (2) the term "materials of war" means those goods, commonly known as military items, which are required for the performance of their missions by armed forces of a nation including weapons, military vehicles, ships of war under fifteen hundred tons, aircraft, military communications equipment, ammunition, maintenance parts and spares, and military hardware."

On 27 October 1950, in a memorandum to the Secretary of Defense, the Joint Chiefs of Staff recommended the following policy with respect to supplies and equipment for the Mutual Defense Assistance Program.

"1. Reference is made to the interim report contained in a memorandum by the Joint Chiefs of Staff to you, dated 12 September 1950.[3] This is the final report of the action taken by the Joint Chiefs of Staff in connection with your memorandum, dated 18 August 1950, subject, "Supplies and Equipment for Mutual Defense Assistance Program," [3] and concerns that portion of your memorandum wherein you requested that a relative priority for the Mutual Defense Assistance Program (MDAP) in relation to U.S. military programs be established.

2. In considering the relative supply priority to be established for MDAP in relation to United States military programs, it would be well to keep in mind that the long-range, over-all military objective of United States Mutual Defense Assistance Programs should be the development of conditions which will improve to the maximum extent possible within economic realities, both current and foreseen, the ability of the United States in event of war to implement, in conjunction with its allies, a long-range strategic concept. Briefly, that concept is that

[3] Not printed.

the United States, in collaboration with its allies, will impose the war objectives of the United States and its allies upon the USSR by conducting a strategic offensive in Europe and a strategic defensive in the Middle East and in the Far East.

3. Military assistance should, in principle, be considered as a complement to the military preparedness of the United States proper, with the essential military equipment needs of the armed forces of the United States receiving highest priority. Programming of mutual defense assistance, therefore, should be accomplished as a further requirement on United States resources, i.e., as being additive to the equipment needs of the United States forces, rather than as a competing element for finished United States munitions.

4. The Joint Chiefs of Staff are fully cognizant of the importance of MDAP to the policy and strategic interests of the United States. They consider that United States production should make the necessary expansion to the extent that MDAP phased requirements can be met simultaneously with United States phased requirements. They further encourage and support the development, under MDAP, of increased additional military production and offshore procurement to relieve partially the heavy commitments against United States industry.

5. In connection with the assignment of priorities, it should be borne in mind that all programs contain items of wide differences in degree of urgency. It is manifestly impractical to assign an overall priority for one broad program with respect to any other broad program. Priority must be associated with each component, not with the program as a whole.

6. In the light of U.S. strategic interests and in the world situation now existing, the Joint Chiefs of Staff believe that finished munitions should be allocated in accordance with the following general principles:

*a. First Priority:*

(1) United Nations operations in Korea and United Nations operations in any further troublous areas where United States forces are committed, in the order:

(a) United States forces.
(b) Other United Nations forces as approved by competent U.S. authority.

(2) Other operational requirements when specifically determined by the Joint Chiefs of Staff.

(3) Minimum U.S. requirements for national security, to include support of United States forces in occupied areas, necessary equipment for active forces and those now scheduled for mobilization, and other essential defense requirements, including training of civilian components.

*b. Second Priority:*

Approved foreign military aid programs, provided that no equipment is furnished to recipient countries at a rate faster than can be utilized profitably in the build-up and training of effec-

tive forces, with long-term priority among countries being in this general order:

(1) North Atlantic Treaty Organization (NATO) countries.
(2) Other countries.

*c. Third Priority:*
The remainder of the material requirements of the United States Armed Forces.

7. The Joint Chiefs of Staff recognize that certain factors such as the need for strengthening the morale and internal security of recipient nations and protecting various United States interests abroad may, in exceptional cases, become overriding political considerations modifying the strict application of the above-mentioned priorities. In this connection, it is considered that United States policy and prestige demand that aid under MDAP be furnished on a substantial basis to each recipient country, with a continuing flow of such assistance to support the build-up of allied forces, as well as to prevent the further encroachment of Communism.

For the Joint Chiefs of Staff:
OMAR N. BRADLEY
Chairman,
Joint Chiefs of Staff."

On 29 December 1950, in a memorandum to the Secretary of Defense, with respect to MDAP assistance to Indo-China and Formosa, the Joint Chiefs of Staff stated that:

"In view of the current military situation, it is recommended that the supply priority for Indo-China be above all other Mutual Defense Assistance Programs and that for Formosa be the same as for countries of the North Atlantic Treaty Organization."

On 29 August 1951, the Secretary of Defense requested the Joint Chiefs of Staff to review the existing policies governing MDAP assistance and make recommendations accordingly. On 12 October 1951 the Joint Chiefs of Staff reaffirmed the established allocations priorities in a memorandum to the Secretary of Defense as follows:

"1. In response to your memorandum, dated 29 August 1951, the Joint Chiefs of Staff have reviewed the current policy concerning the relative priorities between U.S. military programs and the Mutual Defense Assistance Program (MDAP) with a view to ascertaining whether a revision of those priorities should be made.

2. The Joint Chiefs of Staff still feel that urgent measures to accelerate the delivery of MDAP matériel are required in order that the U.S. and its allies can achieve the capability of implementing the basic strategic concept for the conduct of general war. However, they are of the opinion that military assistance should, in principle, be considered as a complement to the military preparedness of the U.S.

proper. The essential military equipment needs of the Armed Forces of the United States should receive highest priority.

3. Being cognizant, however, of the importance of MDAP to the strategic interests of the United States, the Joint Chiefs of Staff reiterate their view that U.S. production should make the necessary expansion to meet simultaneously MDAP and U.S. phased requirements.

4. The Joint Chiefs of Staff encourage and support the principle of increasing offshore procurement from our present and potential allies, in order to supplement U.S. production, thus relieving the heavy commitments against U.S. industry to the extent that such offshore procurement does not adversely affect the industrial mobilization build-up necessary to achieve the objectives of our Medium Term War Plan. Support of such programs should be accompanied with appropriate allocation of essential raw materials as would not reduce U.S. production to meet the objectives of our Medium Term War Plan. It is believed that a program of this nature would:

*a.* Speed up deliveries of total MDAP materials.

*b.* Take advantage of skilled workmen in such countries as Japan and West Germany.

*c.* Aid in alleviating the critical dollar shortage presently experienced by some of our major allies, such as England and France.

5. Although the Joint Chiefs of Staff consider that the current priorities policy is sound, they have requested the Services to review their criteria for establishing minimum matériel needs to meet minimum U.S. requirements for national security, with a view to determining whether an increased flow of finished munitions to MDAP recipients can be effected.

6. The Joint Chiefs of Staff reaffirm the general principles for the allocation of finished munitions as set forth in paragraph 6 of their memorandum for you, dated 27 October 1950, and have taken action to explore the possibility of accelerating MDAP deliveries within the application of those principles.

For the Joint Chiefs of Staff:
Hoyt S. Vandenberg
Chief of Staff, United States Air Force."

Determination of the "minimum U.S. requirements for national security," which under the existing allocations policy holds the third position under the First Priority (directly behind (1) Korean, and (2) similar operational requirements), is the responsibility of the Joint Chiefs of Staff as affirmed in NSC 14/1 [4] as follows:

"12. The military assistance program should be governed by the following considerations:

*a.* The program should not jeopardize the fulfillment of the minimum matériel requirements of the United States Armed Forces, as determined by the Joint Chiefs of Staff."

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[4] For text of NSC 14/1, "The Position of the United States With Respect To Providing Military Assistance to Nations of the Non-Soviet World", July 1, 1948 (conclusions approved by President Truman on July 10, 1948), see *Foreign Relations*, 1948, vol. I, Part 2, p. 585.

The responsibility for the administration of the foregoing allocations policy has been placed in the Joint Munitions Allocations Committee under the Joint Chiefs of Staff.

In view of the fact that the major programs of mutual assistance are for Army-procured items, an Army Allocations Committee has been operating for some time as a subcommittee of the Joint Munitions Allocations Committee. (Similar subcommittees are being set up for the Navy and Air Force.) This subcommittee meets monthly and, taking into account total assets and requirements, recommends allocations among United States forces and recipients of the Mutual Defense Assistance Program. Every item in short supply which appears in any Army mutual defense assistance program is considered by the Army subcommittee. The minutes and recommendations of this committee are submitted to the Joint Munitions Allocations Committee for approval. This allocations system is substantially the same as that used so successfully in World War II.

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740.5 MAP/10-2551

*The Director of International Security Affairs (Cabot) to the Director-Designate for Mutual Security (Harriman)* [1]

CONFIDENTIAL [WASHINGTON,] October 25, 1951.

DEAR AVERELL: You and your staff have such a complete knowledge of the Mutual Security Program that it is unnecessary for me to give you any report on the state of the affairs for which I have had responsibility as I turn them over to you, and it would certainly be presumptuous for me to offer you advice. Nevertheless, I would like to record my views on a few of the major current problems.

*Size of the 1953 Program.* The question of how large an MSP for FY 1953 should be presented is so intimately connected with your TCC [2] decisions and with political considerations that my views are

[1] W. Averell Harriman was nominated as Director for Mutual Security on October 11. He was confirmed on October 19 and sworn in on October 31. Thomas D. Cabot resigned as Director, International Security Affairs, on October 30.

Copies of this letter were transmitted to the Secretary of State; Frank C. Nash, Assistant to the Secretary of Defense (International Security Affairs); William C. Foster, Deputy Secretary of Defense; Najeeb E. Halaby, Assistant to the Administrator for International Security Affairs, Economic Cooperation Administration; Richard M. Bissell, Jr., Administrator, ECA; Theodore T. Tannenwald, Jr., of the Executive Office of the President; Under Secretary of State Webb; Messrs. Coolidge and Ohly of the Office of International Security Affairs; Charles M. Spofford, Deputy U.S. Representative on the North Atlantic Council and Chairman of the European Coordinating Committee; and William L. Hebbard, Assistant Director, Office of International Finance, Department of the Treasury.

[2] The Temporary Council Committee was established by the North Atlantic Council at its session in Ottawa during September. The mission of the TCC, of which Harriman was the United States member, was the reexamination of NATO rearmament plans and capabilities. For documentation on the TCC, see vol. III, pp. 1 ff.

perhaps of no consequence; yet this so largely affects everything else that I must at least comment. I feel that our ISAC estimates of aid requirements for FY 1953 are too low because the assumptions were overoptimistic. Lead time will require that most of the material needed to complete the MTDP in FY 1954 will have to be ordered in FY 1953. I do not feel that there is yet evidence that a limiting factor will be ability effectively to obligate (or need to finance continuous production). The MSP program should not be held down on this account unless the evidence is very good, for the losses from underobligation far outweigh those from overobligation; on the one hand, munitions' capacity is idled and manufacturers are given no inducement to attain maximum productivity; on the other, the principal danger is the possibility of making something which is outmoded before it is needed. The real limiting factor is what can the Administration prudently ask for and what will the Congress and the people support in an election year. Personally, I have confidence that the American people recognize the MSP as an economy measure and will support a large appropriation on the ground that this is the cheapest way we can defend ourselves.

*MDAP Deliveries.* I should have done something sooner to attract attention to the munitions' allocation problem. I think the Administration is now well aware of the dangers we face if after having asked allies to take great risks to raise forces we then fail to make good on promises or implied promises with respect to delivery of arms. However, this will be a continuing problem requiring constant attention, for it will undoubtedly be difficult to get the officers who handle requisitions in our services to resist the blandishments of their own brethren in military operations.

*Congressional Presentation.* I think everyone agrees that the preparation of the 1951 MSP Bill needed better coordination. My feeling is that this requires strong leadership. Ted Tannenwald is thoroughly familiar with the problems and I believe Charlie Coolidge can be very helpful in the preparation as well as the presentation of the 1952 Bill. I think we erred on the side of too much testimony, much of it too general to be very effective.

*Offshore Procurement.* Getting a policy of offshore procurement adopted was a frustrating experience. Now that we have it you will face many difficult problems of implementation. However, the groundwork has been well prepared. I think one of your greatest opportunities will be in getting together programs for procurement within a country and using the economic effects as a lever for increased military effort. I am convinced that a leverage is possible with ratio approaching that obtainable from straight economic aid, provided the offshore procurement is presented as a package. The problem of getting the dollars received by offshore munitions' producers actually used to

buy in the dollar area, so that the effect is the same as an equivalent amount of economic aid, the counterpart from which is used for munitions, is one which you are especially competent to attack.

*Minesweepers.* The evidence is strong that we can get substantially more minesweepers for less money by buying in Europe and at the same time help the economies of both Europe and the United States. This is a particularly favorable area for offshore procurement (ranking with ammunition in this respect), but one in which we have met substantial opposition in the Navy which wants to favor domestic shipyards which might be idle.

*Interdepartmental Coordination.* I now think I made a mistake in not limiting the attendance in ISAC and in not exerting more personal leadership (despite my inexperience). I am not sure that any formal committee is really useful. The major decisions were usually made in informal conferences and I am sure you will be most effective on major problems working at the Cabinet level.

*Backstopping the ECC.*[3] I also made a mistake in not insisting that the Washington agencies pay greater heed to regional recommendations. I hope you can succeed in building up the regional team so that our leadership will be more effective. The way we handled infrastructure is a good example of what to avoid. I should have got early high level authority on infrastructures instead of letting dissension in Washington, and especially in the Pentagon, weaken our whole negotiating position as well as our presentation to Congress.

*Economic Aid in Asia.* In my opinion, it is unthinkable that we should abandon aid programs in that part of the world most susceptible of subversion. I can't believe the Congress intended that we should. I do believe Congress has shown preference for technical assistance, rather than straight economic aid, in the areas where there is little useful military effort. However, I think we should ask for greater latitude in next year's Bill so that we will not be in the position of stretching the law to cover what is clearly desirable.

*Military Aid to Latin America.* It seems to me we should hold to an absolute minimum aid to a region which is remote from Soviet attack and has a favorable balance of payments vs. the United States.

*Termination.* Clearly, we should continue to emphasize that aid in the European area is expected to taper off rapidly after 1954. Equally, I think we should make clear that Point IV aid is a long-term enterprise which must be continued if we are to achieve our objectives.

*East-West Trade.* I don't envy you the responsibilities imposed by the Battle Act. Harold Linder[4] and Miriam Camp[5] can be very help-

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[3] For documentation on the European Coordinating Committee, the United States body located in London which was charged with coordinating responsibility for the Mutual Defense Assistance Program in Europe, see vol. III, pp. 1 ff.

[4] Deputy Assistant Secretary of State for Economic Affairs.

[5] Officer in Charge, Economic Organization Affairs, Office of European Regional Affairs.

ful on problems of East-West Trade. I have a feeling that the American public would be less unhappy if they had more information on why trade with the East helps the West. I hope there is more we can properly make public *before* the shipments are made and come to public attention.

*Productivity.* This is a project in which I am deeply interested although not really my responsibility. In my view, we have been remiss in not giving productivity greater emphasis. Especially useful are the visits back and forth of labor and industry representatives. If we can sell Europe on the fundamental advantages of a *competitive* and reasonably free system of enterprise, I have no doubt the standard of living there will advance soon to a level where there is no danger whatever of its being subverted.

And with these comments, I turn the reins over to you with great confidence in your ability to carry this difficult assignment well, as you have so many before. The job has been a great education for me. I don't regret a moment of the time it has taken, but I am happy for the freedom I shall now enjoy. Good luck! I am sorry that on account of the Foreign Trade Conference in New York, I won't be here Wednesday [6] to wish you this in person.

Yours very sincerely,

THOMAS D. CABOT

[6] October 31.

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*Current Economic Developments*, Lot 70 D 467, FRC Acc. No. 72A6248

## *Current Economic Developments*

[Extract]

[WASHINGTON,] November 12, 1951.

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### *Interim Procedures for Mutual Security Program*

W. Averell Harriman, Director of Mutual Security, has established interim procedures for the mutual security program for the immediate future so that it may be carried on without interruption.[1] The arrangements are designed to make the best use of available personnel while the Director's independent staff is being established and are subject to revision after further consultation with the agencies involved. All overseas missions have been advised that existing procedures and agency functions are to continue unchanged for the immediate future. The Chief of the Diplomatic Mission, as representative of the President, will continue to be responsible for assuring coordinated US positions and for such general direction as may be required. All existing organizational arrangements at the European regional level will also remain unchanged pending further study.

[1] The interim procedures were set forth in a memorandum of November 1, not printed, transmitted by Harriman to the Secretaries of State, Defense, and the Treasury, and the Acting Administrator of the Economic Cooperation Administration (FRC Acc. No. 62A613: ISA/MDAP Files).

A clear distinction will be maintained between Mr. Harriman's responsibility for the supervision and general direction of the over-all Mutual Security Program, which will be carried on with the assistance of a small staff in the Executive Offices of the President, and his responsibility as head of the new Mutual Security Agency. The transfer of functions from ECA to the new MSA is to be completed by December 29, 1951.

*Mutual Assistance Advisory Committee* In accordance with the Mutual Security Act of 1951 the International Security Affairs Committee was terminated by Executive Order [2] and in its place a Mutual Assistance Advisory Committee (MAAC) has been established by Mr. Harriman under the chairmanship of his Assistant Director for programs, Lincoln Gordon. Represented on the committee are State, Defense, Treasury, the Office of Defense Mobilization and the Economic Cooperation Administration. The committee will consider major issues involving more than two agencies. To the extent practicable it is planned to avoid permanent subcommittees but rather to establish *ad hoc* groups to deal with specific questions.

*Basic Program Decisions* The interim procedure states that the Office of the Director will be responsible for making, obtaining from the President, or otherwise assuring decisions on those questions which must necessarily precede the formation of definitive final programs as well as on preliminary decisions or planning assumptions on such questions as may be necessary to permit orderly program development, such as the use of authority to transfer funds within titles; the areas or countries in which aid is to be provided in the form of loans and the amounts thereof; and the extent and nature of bilateral agreement which must precede the provision of assistance.

*Program Procedures* The interim program procedures are designed to provide for the maximum decentralization of responsibility consistent with the effective execution by the Director of his responsibilities, as well as a minimum of bureaucratic process. It is emphasized that, in the development and execution of programs, there should be a full and free interchange of information among the several agencies. The agency which has the primary responsibility for the development or execution of a program is to assume responsibility for consulting with other agencies on matters within their spheres of interest, providing the Director with a program which has been fully coordinated. Differences of views between agencies are to be fully reported to the Director. The State Department will continue to be concerned with the political implications of all programs proposed, and will review all programs prior to their submission to the Director. The Depart-

[2] Reference is to Executive Order 10300, Providing for the Mutual Security Act of 1951 and Related Statutes, November 1, 1951. For text, see Department of State *Bulletin*, November 19, 1951, pp. 826–827, or *American Foreign Policy, 1950–1955: Basic Documents*, vol. II, pp. 3086–3088.

ment of Defense is primarily responsible for the development of programs for military assistance and ECA is to review and comment upon the economic implications of programs for those countries in which a complementary program of economic assistance is to be provided. ECA is primarily responsible for development of programs for provision of direct country economic aid, showing the amount of aid proposed as grants and as loans, the assumptions and estimates upon which the calculations were made, the level of defense expenditure it is estimated the aid will enable the recipient country to support, and the proposed uses of counterpart.

ECA will be primarily responsible for developing a plan for negotiation with each Title I country, doing so in close conjunction with the Departments of State and Defense and within a context outlined by the Office of the Director. These plans will set forth the location and timing of negotiation; the military, political, and economic objectives; the extent and nature of commitments proposed as conditions precedent to aid; and the extent and nature of commitment which it is proposed to make with respect to the provision of aid. After these plans have been approved by the Director for Mutual Security the primary responsibility for conduct of bilateral negotiations outside the US falls upon the US Ambassador in each country, who shall assure a coordinated participation by political, economic and military representatives as appropriate. State channels of communication are to be used.

With regard to functional economic assistance programs under Title I (such as strategic materials), the Director will establish the form and procedure for the submissions after consultation with ECA.

With regard to programs for economic and technical assistance under Titles II, III and IV, ECA is to develop and submit programs to the Director for approval of those countries where it is to administer the program and the Department of State for those countries where it will do so. It has been decided by Mr. Harriman that programs in India, Pakistan and Iran shall be handled by the Technical Cooperation Administration of State. These programs will show an illustrative breakdown of total funds by general project categories, the number of experts required for each category, and a justification for the proposed program.

It is intended that agencies responsible for extension of approved programs, as a general rule, shall have freedom to deviate from the approved plans provided the deviation does not reflect any change in the basic program objectives or involve provision of aid in an amount greater than the total figure approved for the country or functional program as approved by the Director. In particular cases of special importance or political delicacy, a more limited authority to deviate from approved programs may be required.

# UNITED STATES POLICY WITH RESPECT TO THE REGULATION OF ARMAMENTS [1]

320/2-1051 : Telegram

*The Secretary of State to the United States Representative at the United Nations (Austin)*

SECRET WASHINGTON, February 10, 1951—2 p. m.

704. Reurtel 1139 Feb 9.[2] We look upon initial meeting of GA Committee to study coordination activities of AEC and CCA as one devoted to organization and avoiding a substantive debate.[3] Without requiring strong positions by US on organizational problems, following views are provided for general guidance. Re name of committee: almost any name would be satisfactory which is responsive to GA Res; one possibility is *Ad Hoc* Committee to study the Coordination of the Activities of AEC and CCA. Re Rules of Procedure: UNAEC rules of procedure would seem to be adequate and avoid difficulties involved in drafting new set of rules. At initial meeting SYG could be asked to circulate before next meeting draft based on AEC rules for consideration and approval at next meeting. Re Chairman: while SYG will open meeting, one of first steps should be to have a temporary Chairman appointed from among members. Perhaps as non-controversial an approach is to suggest alphabetically first country. This would mean Brazil. Re program of work: while we are open to suggestions, best approach at this time appears to be to keep agenda flexible, permitting any Delegation to submit such views as it may care to introduce. Once there are views to discuss, Committee will be in better position to judge necessity or desirability of fixing a specific plan of work. Re date of next meeting: this can be

[1] Continued from *Foreign Relations*, 1950, vol. I, pp. 1 ff. For documentation on U.S. national security policy, see pp. 1 ff. For documentation on discussions with the United Kingdom and Canada regarding the danger of general war with the Soviet Union, see pp. 802 ff. For material on various foreign policy aspects of U.S. development of atomic energy, see pp. 685 ff.

[2] Not printed.

[3] At its 323d Meeting, December 13, 1950, the General Assembly adopted resolution GA 496 (V), titled "International Control of Atomic Energy." This resolution established "a committee of twelve, consisting of representatives of the members of the Security Council as of 1 January 1951, together with Canada, to consider and report to the next regular session of the General Assembly on ways and means whereby the work of the Atomic Energy Commission and the Commission for Conventional Armaments may be co-ordinated and on the advisability of their functions being merged and placed under a new and consolidated disarmament commission." For complete text of resolution GA 496 (V), see *Foreign Relations*, 1950, vol. I, p. 124.

For an account of the work of the Committee of Twelve, which met nine times between February 14 and September 28, 1951, see the report of the Committee, document A/1922, October 23, 1951, p. 552.

left open. While US is prepared to meet at any time, others, such as the UK, may wish to see 3 to 4 weeks interval for purposes of getting instructions. This is all right with us. Re Chinese representation question: standing instructions apply to any effort to seat Chinese Communists.[4] US should actively oppose and vote against any proposal to unseat representatives of National Govt of China if question reaches voting stage.

Informal exchanges with friendly members of Committee would perhaps be helpful on these and related points. US paper on substantive matters is under preparation and will in due course be available for introduction into Committee, giving substantive views on work assigned to Committee.

ACHESON

[4] For documentation on the question of the representation of China in organs of the United Nations, see vol. II, pp. 209 ff.

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396.1/3–151

*Memorandum of Conversation, by the Deputy Director of the Policy Planning Staff (Ferguson)*

TOP SECRET [WASHINGTON,] March 1, 1951.

Subject: CFM

Participants: Rear Admiral Edmund Wooldridge, USN [1]
Frank Nash [2]
Paul H. Nitze, S/P [3]
John H. Ferguson, S/P

Mr. Nitze pointed out that the NSC had assigned to the Departments of State and Defense the question of a solution of the present tensions in the world by means short of war.[4] Mr. Nitze mentioned that the

[1] Rear Adm. Edmund T. Wooldridge, Representative of the Joint Chiefs of Staff on the Senior Staff of the National Security Council.

[2] Deputy United States Representative on the United Nations Commission for Conventional Armaments; Deputy U.S. Representative on the Committee of Twelve.

[3] Director of the Policy Planning Staff.

[4] The record of the meeting of the Senior Staff of the National Security Council on February 23, 1951, indicates that the Senior Staff

"Discussed the status of the NSC 79 project, agreed that it should be divided into two projects, as follows, and that the second project should be completed as a matter of priority:

"(1) A statement of US and allied war objectives in the event of global war.

"(2) A statement of the conditions that the United States would be willing to accept for a peaceful settlement with the USSR, including a plan for the reduction and regulation of armaments and armed forces." (NSC–S/P Files, Lot 62 D 1)

NSC 79, August 25, 1950, consisted of a report by the Secretary of Defense forwarding a request by the Joint Chiefs of Staff that a study be prepared on "U.S. and Allied War Objectives in the Event of Global War." For text, see *Foreign Relations*, 1950, vol. I, p. 390. The National Security Council did not devote active consideration to the war objectives study during 1951.

question of a proposal on this subject would soon confront us in a CFM if one is held,[5] and that the need for the development of such proposals also related to Mr. Nash's work in the U.N. where meetings are occurring on conventional and unconventional armaments. Mr. Nash agreed that these three matters were intimately related and that work should go forward immediately to try to develop proposals for a peaceful settlement.

Mr. Nitze described what was urgently needed in preparation for a CFM and told Mr. Nash and Admiral Wooldridge that we wished to work with them on three particular matters as soon as possible: (1) the tension caused by existing levels of armaments in Europe and the most desirable way of presenting this question at a CFM; (2) the possibility of limited proposals for the mitigation of tensions caused by the existing level of armaments; and (3) the development of overall proposals for a peaceful settlement.

No further meeting was scheduled but it was agreed State and Defense would work together on these questions.

[5] For documentation on the Four-Power Exploratory Talks held at Paris, March 5–June 21, 1951, see vol. III, pp. 1086 ff. These discussions did not result in a meeting of the Council of Foreign Ministers.

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Under Secretary's Meetings, Lot 53 D 250 [1]

*Notes of the Meeting of the Under Secretary's Advisory Committee* [2] *at the Department of State, March 7, 1951*

[Extract]

TOP SECRET

AC N–25

Present: U —Mr. Webb [3]
G —Mr. Matthews [4]
S/P —Mr. Nitze
R —Mr. Armstrong [5]
E —Mr. Thorp [6]
S/S —Mr. Barnes
S/S–S—Mr. Denney

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[1] Records of the Under Secretary's Meetings, 1949–1952, and the Under Secretary's Advisory Committee, 1950–1951.

[2] The Under Secretary's Advisory Committee, consisting of most of the principal officers of the Department of State aside from the Secretary of State and the heads of geographic areas, met somewhat less than once a week during the period of May 1950–October 1951. The Committee engaged in general discussions of major foreign policy issues, often focusing on problems of public and Congressional relations.

[3] James E. Webb, Under Secretary of State.

[4] H. Freeman Matthews, Deputy Under Secretary of State.

[5] W. Park Armstrong, Special Assistant to the Secretary of State for Intelligence.

[6] Willard L. Thorp, Assistant Secretary of State for Economic Affairs.

*The Attitude of the U.S. Government Toward Armament*

4. Mr. Nitze reviewed current thinking in S/P on this problem. He said that they had considered first an ideal arrangement on armaments and then progressively considered plans less perfect but more practical in the light of present world conditions. Theoretically, the control of atomic energy and conventional armaments is easiest to think through as part of a world government which would itself have decisive powers of enforcement. It was agreed, however, that this state of affairs was not likely to occur in the foreseeable future, unless as a result of a world war. In any case, if the U.S. were to propose such an arrangement, world public opinion would say that it was a proposal which we never expected that the Soviet Union could accept.

5. The next type of theoretical approach would be to build upon the present plan for UN control of atomic energy [7] and extend similar control over conventional arms. A number of criteria would be set up for such arms establishments: no country would employ more than, say, one percent of its population in police forces or military forces; the great powers would have an absolute limit somewhat less than the one percent figure; some fixed percentage of the gross national product of each country would be set as a top limit for arms expenditures; and some weapons, for example, atomic bombs, chemical warfare, and biological warfare, would be outlawed. The procedure would be as follows—after agreement on the purposes and criteria of such a scheme, each country would submit a program for conforming to the purposes and the criteria. Each country would then examine the programs submitted by the others. If agreement were reached that the programs met the purposes and criteria agreed on, then an adequate system of inspection would be set up and the programs implemented. If violations of the agreed programs occurred, presumably the only effective sanction which would exist would be another arms race. In such a race, the United States, having the greatest industrial potential, would presumably have an advantage.

6. Mr. Matthews argued that in the event of an arms race the Soviet Union could overrun Europe before we could do anything about it. Mr. Nitze pointed out that if the one percent criterion was used, Europe's basic military position with respect to the Soviet Union would

[7] On November 4, 1948, the General Assembly adopted Resolution 191(III), which approved the General Findings (part II C) and Recommendations (part III) of the First Report of the United Nations Atomic Energy Commission and the Specific Proposals of part II of the Second Report of the Commission "as constituting the necessary basis for establishing an effective system of international control of atomic energy." For text of Resolution 191 (III), see *Foreign Relations*, 1948, vol. I, Part 1, p. 495. For text of the First Report, see United Nations, *Official Records of the Atomic Energy Commission, First Year, Special Supplement, Report to the Security Council* (1946) (hereafter cited as AEC, *1st yr., Special Suppl.*). For text of the Second Report, see United Nations, *Official Records of the Atomic Energy Commission, Second Year, Special Supplement, The Second Report of the Atomic Energy Commission to the Security Council, September 11, 1947* (hereafter cited as AEC, *2d yr., Special Suppl.*).

be much better than now, and Europe's industrial potential would enable it to build up rather quickly.

7. Mr. Nitze said a decision would have to be made concerning permission to Germany and Japan to rearm on the basis of one percent of population or alternatively, keeping them in the second class nation category.[8] He said that this intermediate scheme was full of risks and dangers; for example, "neutral" nations might be hesitant to say that there had been a violation on the part of the Soviet bloc, and we would then be in a situation similar to that which existed recently when the Asian nations were reluctant to call the Chinese Communists aggressors.[9]

8. Mr. Nitze then moved on to the third type of armament plan. This plan would recognize that in the world today large states are sovereign and no effective UN sanctions exist. Each country would certify to the others its present military and atomic strength. Then the other countries would verify these strengths by means of some sort of inspection technique, possibly making use of UN machinery. After this process had been completed, there might be a discussion by the sovereign states of mutual reduction of armaments. The question of what to do about violations by states would be left up to the judgment of other states, without involving the UN and the attendant risks that some nations might be afraid to label aggression when it occurs. This scheme is based on the assumption that we could learn more from the Soviets than they could learn from us if we agreed to a system of inspection. As an initial safeguard, we might insist that conventional arms be verified first and then atomic arms, although we would probably have to do both concurrently.

9. Mr. Nitze pointed out that very large questions of concurrent action in nonarmament fields will still exist. The questions of the Korean war, unification of Germany and Chinese representation in the UN are examples. Mr. Nitze said that S/P had not yet had time to consider, in connection with this third armaments plan, either what we would propose to the Soviet Union or the question of what the Soviet Union is likely to accept.

10. There was general agreement that the USSR would be very reluctant to accept inspection of its armaments because Soviet leaders would feel that their system might collapse under such an inspection. Mr. Nitze pointed out the possibility that the Soviets might be able to sabotage an inspection system by the device of allowing U.S. inspectors to enter, but insuring that no Soviet citizen would talk to U.S. inspectors. Mr. Nitze indicated that Mr. Nash in Defense was ready

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[8] For documentation on the question of the German contribution to western defense, see vol. III, pp. 1647 ff. Regarding the issue of Japanese rearmament, see vol. VI, Part 1, pp. 777 ff.

[9] Documentation on the condemnation by the General Assembly of the People's Republic of China for its role in the Korean conflict is presented in volume VII.

to go ahead with the working out of this plan for certification and verification of conventional arms. Mr. Nitze pointed out that the NSC has already given approval to this. Approval has not been given by the NSC for certification and verification of atomic weapons. Mr. Nitze reported that the Pentagon has been asked to work on an armaments plan which would be confined to Europe.

11. In response to a question from Mr. Webb, Mr. Nitze made it clear that all the plans that he had outlined were in no way to be thought of as substitutes for our present military buildup.[10] Mr. Thorp and Mr. Nitze said that these plans should be thought of as possible countermeasures to Soviet propaganda.[11]

12. Mr. Nitze and Mr. Thorp agreed with Mr. Webb that we must also continue the buildup of economic strengths of the free world. Mr. Thorp pointed out, however, that there just is not enough material available now to rearm as fast as we would like, and at the same time work toward economic buildup of underdeveloped areas. Mr. Nitze pointed out that the Soviet Union might possibly accept a far-reaching armament proposal on the theory that if U.S. rearmament suddenly stopped, the effects upon the economy of the United States might be disastrous. On the other hand, it was agreed that we cannot accept the idea that the building of armaments is necessary to keep the economy of the United States stable. There was general agreement that the work now going on in S/P, in collaboration with Defense, is a very useful undertaking, and that it should have priority over other pressing matters.

13. Mr. Armstrong pointed out that when we deal with Soviet leaders we are not dealing with men of good will, and we must remember that the difficulty of getting an adequate inspection system over armaments might turn out to be insuperable. The only solution may well be to wait until the Soviet leaders change their minds.

14. Messrs. Nitze, Thorp and Armstrong pointed out that the Soviet bloc can improve living standards at a faster percentage rate than most of the free world is able to do inasmuch as the Soviet bloc countries, for the most part, start from a lower standard of living.

15. Mr. Webb ended the discussion by observing that although we must devote as much energy as possible to our military buildup and although, in order to meet Soviet propaganda, we must give careful thought to proposals for East-West settlements, including arms settlements, we must nevertheless find time to work on the problem of building up the standards of living in the free world.

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[10] For documentation on U.S. programs for national security, see pp. 1 ff. For documentation on the U.S. military assistance efforts, see pp. 266 ff.

[11] For documentation on Soviet peace propaganda at the United Nations General Assembly, see vol. II, pp. 477 ff. Documentation on other aspects of Soviet propaganda and the U.S. response appears in volume IV.

PPS Files, Lot 64 D 563[1]

*Memorandum of Conversation, by the Deputy Director of the Policy Planning Staff (Ferguson)*

TOP SECRET [WASHINGTON,] March 7, 1951.

Subject: State–JCS Discussions

Participants: Rear Admiral Edmund Wooldridge, USN
Frank Nash
Mr. Paul H. Nitze, S/P
Mr. John Ferguson, S/P

It was intended that this meeting would continue the discussion between the same group on March 1, but it was not possible to carry the discussion much further.

Reference was made to the military estimates of armed strength in the Soviet orbit and in NATO, and the suggestion was made that it might be possible to present this matter in terms of ground and air forces on the continent of Europe (possibly including the U.K.) and west of the Urals, and Mr. Ferguson is undertaking to prepare such tables.

The question of reciprocal limitations of armaments in Europe was raised again but there was little additional comment from the defense representatives. Admiral Wooldridge did say that he thought so long as a large aggregation of Soviet forces remained available in Russia, limitations on other forces in Europe would not accomplish much. Mr. Nitze pointed out that the question was whether or not, granting the limited desirability of any such proposal for limitation, it would be possible to secure some improvement of the situation during the period before adequate defenses were built in Western Europe.

Mr. Nash said that with respect to the coming CFM it would certainly be essential to have some proposals ready and that it was his view that it would be impossible to secure governmental clearance with respect to a detailed program looking beyond a census and verification. He felt that the most that could be accomplished was to consider the possibility of including atomic weapons in the census and perhaps indicating in very general terms the steps we would propose after a census was completed. Admiral Wooldridge thought that the question of including atomic weapons in the census would require rather prolonged consideration by the Joint Chiefs and their Staff. It was agreed that it would be desirable to raise this matter at the next State–JCS meeting.

[1] Files of the Policy Planning Staff of the Department of State, 1947–1953.

G/PM Files, Lot 68 D 349[1]

*Draft Paper by Mr. Carlton Savage, Member of the Policy Planning Staff*

SECRET [WASHINGTON,] March 8, 1951.

*Problem*

To formulate a U.S. position on the limitation and reduction of armaments and armed forces.

*Discussion*

Since the first World War the United States has taken a leading part in the move to reduce world armaments. One of President Wilson's 14 points of January 8, 1918[2] was "adequate guarantees given and taken that national armaments will be reduced to the lowest point consistent with domestic safety." The United States called the Washington Conference of 1922[3] which established by treaty the principle of limitation for ships of the five largest naval powers, and participated in the London Naval Conference of 1930[4] which extended this principle to other types of warships of the United States, Great Britain, and Japan. We participated in the general conference for the limitation and reduction of armaments which assembled at Geneva in 1932.[5] At this Geneva Conference we advocated "the computation of the number of armed forces on the basis of the effectives necessary for the maintenance of internal order plus some suitable contingent for defense." We held that the ultimate objective of the disarmament conference must be "the complete elimination of all offensive weapons", such as tanks and heavy mobile artillery. We advocated the total abolition of submarines, and of lethal gases and bacteriological warfare. Finally, we were "prepared to consider a limitation of expenditures on material as a complementary method of direct limitation." Although the Geneva Conference, attended by representatives of half a hundred nations, did not result in the limitation of one man or one gun, we took a leading part in endeavoring to reach a satisfactory arms limitation agreement. The Conference failed largely because the nations felt that they must have security before they could limit armaments.

Two years after the beginning of the second World War President Roosevelt and Prime Minister Churchill declared in the Atlantic

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[1] Subject files on atomic energy and space, 1950–1967, retired by the Office of Deputy Assistant Secretary of State for Politico-Military Affairs.

[2] For text of the address of the President of the United States delivered at a Joint Session of the two Houses of Congress, January 8, 1918, see *Foreign Relations*, 1918, Supp. 1, vol. I, pp. 12–17.

[3] For documentation on the Washington Conference, see *ibid.*, 1922, vol. I, pp. 1–384.

[4] For documentation on the London Naval Conference, see *ibid.*, 1930, vol. I, pp. 1–131.

[5] For documentation on the Geneva Conference, see *ibid.*, 1932, vol. I, pp. 1–534.

Charter[6] that the nations of the world must come to the abandonment of the use of force, and stated that they would aid and encourage all practicable measures which would lighten "the crushing burden of armaments". Four years later in the United Nations Charter,[7] it was stated in Article 26 that in order to promote the establishment and maintenance of international peace and security with the least diversion for armaments of the human and economic resources, the Security Council should be responsible for formulating plans "for the establishment of a system for the regulation of armaments". In Article 11 it was stated that the General Assembly may consider "the principles governing disarmament and the regulation of armaments."

After the United Nations came into operation two commissions were set up to deal with arms limitation. One, the Atomic Energy Commission, considered a U.S. proposal for the international control of atomic energy which was modified and eventually accepted by the overwhelming majority of the members of the General Assembly. The other, the Conventional Armaments Commission, considered the question of safeguards under any arms limitation agreement which might eventually be concluded but has never considered any specific plan for the limitation and reduction of armaments. In fact, no such proposal has ever been put before the commission; the Soviet proposal for ⅓ reduction of existing armaments was never formally presented to that body. In this Conventional Armaments Commission we agreed to a census and verification of existing armaments, other than atomic weapons, but nothing materialized because of Soviet opposition.

President Truman, in his address to the General Assembly on October 24, 1950,[8] attempted to inject new life into the disarmament deliberations of the U.N., as a practical way of revitalizing the work. He asked consideration of the possibility that the work of the two disarmament commissions might be revitalized if carried forward through a new and consolidated commission. As a consequence of the President's suggestion, the General Assembly established a committee of 12 to consider "ways and means whereby the work of the Atomic Energy Commission and the Commission for Conventional Armaments may be coordinated."

There are several reasons why the United States should formulate a position on the limitation and reduction of armaments at this time. The Committee of Twelve has already started to function and is looking to the United States for concrete proposals to follow up the

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[6] For text, see *Foreign Relations*, 1941, vol. I, p. 368.

[7] For text, see Department of State Treaty Series No. 993, or 59 Stat. (pt. 2) 1031.

[8] For text, see United Nations, *Official Records of the General Assembly, Fifth Session, Plenary Meetings*, pp. 245–247 (hereafter cited as GA(V), *Plenary*); or Department of State *Bulletin*, November 6, 1950, pp. 719–722.

President's address of October 24. The armaments question almost certainly will be considered at the contemplated CFM meeting in April or May. The Soviet Union is thumping for its ⅓ reduction plan and is gaining propaganda value from it because we have formulated no plan. The people of the United States are showing increasing interest in this subject, as reflected in the moves in Congress for disarmament resolutions. They are concerned that at the time we are embarking on such a huge rearmament program there is no concurrent program looking toward eventual disarmament. The problem of disarmament is one of the most complicated ever considered by this government or by any government. The experience of the United States and other nations at the Geneva Conference beginning in 1932 indicates that the problem is almost insoluble. To endeavor to formulate the U.S. position at this time it is clear that we can state only general principles. Details could only be set forth after months and months of thorough investigation and study. It is also realized that armaments are both an effect and cause of world tension, and that therefore the problem must be considered in connection with other causes of world tension. It is further realized that any disarmament plan should first be considered by the 4 or 5 large powers before being made the subject for consideration of all the others. The unsuccessful Geneva Conference of more than 50 nations attests to the desirability of a start by the principal powers. One aspect of our policy on this subject is clear: we cannot agree to the U.N. plan for the international control of atomic energy without a concurrent plan for the limitation and reduction of conventional armaments. Another point is clear, that there cannot be any disarmament plan without its being preceded by a census and verification of existing armaments. Furthermore, to make this possible, there must be freedom of movement between countries at least to the extent necessary to meet this requirement.

One of the most important points for U.S. decision is whether we can agree to an atomic census and verification, as we have already agreed to that procedure for conventional armaments.

Generally, we must conclude that for the present any disarmament procedure we propose must be for sovereign states, as a world government able to enforce decisions is only a possibility for some time in the distant future.

*Recommendations*

The United States should put forward the following program of principles to be mutually accepted first by the large powers and later by others:

1. A census and verification of existing armaments and armed forces, including atomic armaments.

2. Military and para-military personnel and police forces of each nation to be limited to, for instance, not more than 1% of the population, with an absolute maximum of 1,000,000.

3. Not more than a stipulated percentage of the gross national product to be devoted to military purposes, for instance 5%.

4. Weapons particularly useful for offensive purposes, such as heavy bombers, tanks, and submarines, to be limited or prohibited.

5. Biological and chemical weapons to be prohibited.

6. Atomic weapons to be prohibited, in accordance with the U.N. plan, or any other plan equally or more effective and workable.

7. Each nation to submit to the others detailed programs setting forth its manpower policy, tables of organization and equipment for its divisions, the computation of its air and naval establishments, the reserves of military stocks it proposes to maintain, and the method it proposes to use in financing military expenditures.

8. Freedom of movement of persons among the nations sufficient to permit the operation of an effective inspection system for carrying out the above provisions.

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Under Secretary's Meetings, Lot 53 D 250

*Notes of the Meeting of the Under Secretary's Advisory Committee at the Department of State, March 13, 1951* [1]

TOP SECRET

AC N-26

Present: U —Mr. Webb
G —Mr. Matthews
S/P —Mr. Nitze
R —Mr. Armstrong
E —Mr. Thorp
S/S —Mr. McWilliams
L —Mr. Fisher [2]
S/S-S—Mr. Denney

*Reassessment of the Possibilities of a General Agreement with the Soviets* (no document)

1. Mr. Webb asked whether it would be possible for an overall political settlement to be made in the absence of an agreement on armaments. Mr. Nitze was of the opinion that both types of agreement were necessary. In response to a question by Mr. Fisher, Mr. Nitze reviewed briefly the proposal which he had discussed at the last AC meeting [3] regarding certification and verification of conventional and atomic weapons.

2. Mr. Webb asked whether there was general agreement that if we proposed a mutual disclosure of information on conventional and

[1] Circulated as document AC N-26, March 15.
[2] Adrian S. Fisher, Legal Adviser.
[3] For the pertinent portion of the notes of the meeting of March 7, see p. 445.

atomic weapons that such disclosure would be more to the advantage of the U.S. than to the Soviet Union. He asked, particularly, whether our intelligence estimates concerning Soviet armaments are accurate. Mr. Armstrong thought that the range of accuracy in most fields was plus or minus 10–20 percent. He was of the opinion that we would gain far more than we would lose by disclosure, except perhaps in the field of atomic energy.

3. Mr. Webb asked whether we tended to overestimate Russian strength in conventional arms. Mr. Armstrong doubted that we were very much in error on our estimates since we have techniques for checking our estimates against what we know about the amounts of raw materials available to the Soviet economy. Mr. Nitze said that he was familiar with some examples where we have been able to check our intelligence estimates against known facts, and in important cases our estimates turned out to be too low. Mr. Nitze reported that Mr. Arneson was of the opinion that we would gain more by mutual disclosure of atomic weapons than the Soviets would.

4. Mr. Matthews asked whether the proposed inspection system would include the right to knowledge of methods of producing new weapons. Mr. Nitze said that we needed a whole set of criteria of inspection which would have to be worked out very carefully.

5. Mr. Webb asked whether there was not a pressing need for government-wide decision on the advisability of making a proposal to the Soviets embodying the idea of certification and verification of armaments. Mr. Nitze expressed the view of S/P that there was a need for such a decision.

6. There was a brief discussion as to the difficulties which might be encountered in setting up a workable inspection system. Mr. Webb pointed out the necessity for consulting with Congress before such a proposal could be made. In his opinion, the propaganda results which would accrue would be tremendous. Mr. Thorp said that it was not necessary to have a complete detailed plan worked out at the time of making the proposal, as long as we had carefully thought out what would be the principal consequences if accepted by the Soviets. Mr. Nitze said that Admiral Wooldridge and Frank Nash, Defense, seemed eager to get on with the work of devising such a proposal. He pointed out that it has already been decided that the U.S. would be willing to exchange information on conventional armaments and that the main thing requiring decision was in connection with disclosure of atomic armaments. He thought that if the Secretary were convinced of the wisdom of such a course, the government-wide position could be worked out within 30 days. Mr. Nitze said that a proposal something like this would seem to be necessary in order to be consistent with our present line of argument with respect to a CFM. Mr. Nitze reported that he and Mr. Matthews have raised the subject briefly with

the Secretary and he is considering it. Mr. Fisher pointed out one danger in making the proposal in that the Soviets would probably be forced to agree as to the principle but would then haggle indefinitely over implementation. Mr. Webb pointed out the additional difficulty of getting Congressional assent to the disclosure of atomic energy information.[4]

7. There was general agreement that the effort should be made to get a government-wide decision in favor of making a proposal to the Soviets on certification and verification of existing conventional and atomic weapons.

[Here follows discussion of another subject.]

[4] For documentation on disclosure of information, see pp. 685 ff.

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PPS Files, Lot 64 D 563

*Memorandum by the Director of the Policy Planning Staff (Nitze) to the Secretary of State* [1]

TOP SECRET [WASHINGTON,] March 13, 1951.

MR. SECRETARY:

Draft Policy Statement for Submission to the NSC: Policy of the United States Toward the Reduction of Tensions and the Limitation of Armaments

1. This paper has not been addressed to the phasing or tactics of presentation of the ideas contained, it having been our purpose to see whether a comprehensive program for relaxing tensions which we could accept could be developed.

2. Any program for a comprehensive approach to the negotiation of a general relaxation of tensions involves certain great dangers:

*a.* That portions of the comprehensive proposal will be taken out of context and be exploited as independent statements of U.S. position;

*b.* That in the course of the necessarily long process of negotiation and implementation required, there will be a halt in the Western defense effort.

Both of these difficulties require the most careful consideration of the manner of presentation and of securing assurances of the Congress and of our allies that there would be no slackening of effort until the process is completed. A successful outcome would depend upon a concurrent increase in our present effort to build strength.

3. It is doubtful whether the position of the West is at present sufficiently strong to induce acceptance by the U.S.S.R. of the program set forth in the paper. We must, therefore, try to maximize the

[1] A marginal notation on the source text indicates that this document was seen by the Secretary of State and returned to Mr. Nitze.

advantage to the West if proposals along these lines are advanced and are rejected by the U.S.S.R.

4. In advancing the comprehensive program described in the paper, the initial proposal at a CFM would be stated in broad terms. In order to guard against the dangers mentioned in 3 above, the details would be given only after it was discovered that the U.S.S.R. was willing to undertake negotiations on a comprehensive program and then only as progress was made in the negotiations.

5. Annex A to the paper, which deals with specific proposals for the settlement of problems in Europe and the Far East, is merely a rough draft. In its present form it is being handled as a matter of the highest security in the various bureaus and offices of the Department concerned.

6. It is our view that the proposed Annex C, dealing with a census and verification of armed forces and armaments, should be prepared by the Defense Establishment, working closely with the A.E.C. and Mr. Arneson's office.[2]

PAUL H. NITZE

[Attachment]

*Draft Statement Prepared in the Policy Planning Staff* [3]

TOP SECRET [WASHINGTON,] March 10, 1951.

DRAFT POLICY STATEMENT FOR SUBMISSION TO THE NSC

POLICY OF THE UNITED STATES TOWARD THE REDUCTION OF TENSIONS AND THE LIMITATION OF ARMAMENTS

CONCLUSIONS

1. The position of the United States Government has been and is support for the reduction and limitation of armaments. The President reaffirmed this position as recently as October 24, 1950, in his address to the General Assembly of the United Nations. The purpose of the Government in taking this position has also been made clear: it is that international peace and security based on freedom and justice and social and economic progress would be powerfully advanced by the reduction and limitation of armaments. The Government should maintain this purpose and position.

2. The high existing level of armaments is both a symptom of the conflict between the fundamental purpose of the United States and the Kremlin design as described in NSC 68 [4] and also an independent

[2] R. Gordon Arneson was Special Assistant to the Secretary of State for atomic energy policy.

[3] Drafted by Paul H. Nitze, Director of the Policy Planning Staff, and Robert W. Tufts, Staff Member.

[4] NSC 68, "United States Objectives and Programs for National Security," a report to President Truman, April 14, 1950, is printed in *Foreign Relations*, 1950, vol. I, p. 234.

cause of the present acute state of international tensions. There are, however, other important problems which are at once symptoms of the basic conflict and independent causes of tension. These include, in Europe, the failure to complete the Austrian treaty,[5] the failure to unify Germany and to restore Germany to independent status by a treaty of peace, the excessive size of Soviet forces outside Soviet boundaries in Europe, the failure to observe the satellite treaties, and the various problems associated with the Iron Curtain. In Asia, these include the aggression against the Republic of Korea,[6] the failure to conclude a Japanese peace treaty, the problem of Formosa,[7] the rebellion in Indochina,[8] and, in general, the aggressive attitudes and conduct of the Chinese Communist regime. These problems are all interrelated, and the terms of an acceptable settlement on any one of them must be considered in light of progress or lack of progress on the others. For example, action on Germany which might be acceptable in the context of a general relaxation of tensions in Europe might, taken alone, be positively dangerous to our interests.

3. International tensions have become so acute and so widespread that it seems unlikely that important progress can be made on any major issue except in the context of a comprehensive approach to the general reduction of tensions. At the same time, the mutual confidence which would be required to accomplish a general relaxation of tensions in a short period of time is lacking. It therefore seems necessary, if we are to maximize the possibility of agreement with the Soviet Union and to halt the deterioration of the international situation, to propose a comprehensive but gradual reduction of tensions to be carried out in such a way that the West and the Soviet Union will each be able for two or three years or more (*a*) to gain confidence in the other's intentions by observing its performance or (*b*) to call off the process of reducing tensions if either side reaches the conclusion that the other is not performing in good faith.

4. Furthermore, such an approach also offers the best chance for the West to achieve a political success and the least risk of a political reverse. We must expect that the Kremlin will advance proposals, including a disarmament proposal, designed for maximum favorable impact on European and world opinion. We must expect, in other words, proposals with a superficial plausibility, equity, and simplicity. If the West reacts defensively to such proposals, advancing painstakingly the various sound reasons why they are not acceptable, the Kremlin may achieve an important political victory. The best chance

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[5] Documentation on United States policy with respect to Austria is presented in volume IV.

[6] For documentation on the Korean War, see volume VII.

[7] For documentation on the question of Formosa, see *ibid.*

[8] For documentation on United States policy with respect to Indochina, see vol. VI, Part 1, pp. 332 ff.

for a political success by the West is to advance—first, if possible—our own comprehensive program for the reduction of tensions, to focus attention and discussion on it, and to reject, where necessary, specific Soviet proposals by stating that the solution of specific problems must be considered within the context of such a general adjustment of outstanding problems.

5. A proposal for the reduction and limitation of armaments is an essential part of any comprehensive program for the reduction of tensions. This proposal should relate to all armed forces and armaments, for it has become clear that a reduction in certain types of weapons without a reduction in other forces and weapons would be dangerous to our security. In addition, progress in the reduction of armaments should be related to progress on other outstanding issues as indicated in paragraph 2 above. In other words, we will rely for the improvement of our security not on progress in the armaments field alone but on progress on many other problems as well. In this way action in the armaments field which, taken alone, would not provide a sufficient increase in our security to justify it, can be acceptable in conjunction with action on other problems. We can accept, in other words, a gradual approach on a broad front in place of a complete and perfect solution on a single front.

6. A gradual approach on a broad front to the reduction of tensions should include the following concurrent elements:

(*a*) Sufficient concrete agreement and progress on other problems in Europe and the Far East to indicate a willingness on the part of the U.S.S.R. to work toward a reduction of tensions.

(*b*) General agreement among the major powers on the broad outlines of a program pursuant to which a phased reduction and limitation of armed forces and armaments could be accomplished with continuous observation and inspection of each party's adherence to the specific agreements arrived at.

(*c*) Agreement among the major powers on an immediate and continuing census and verification of armed forces and armaments, including para-military and police forces and atomic weapons, as a first step to secure the information on which a specific program for reduction and limitation could be worked out and to demonstrate the practicability of adequate inspection and verification.

RECOMMENDATIONS

7. That the foregoing be approved as the general position of the United States Government.

8. That the Secretary of State be authorized to take a position in the proposed meeting of the Council of Foreign Ministers in conformity with the above.

9. That negotiations in the Council of Foreign Ministers with respect to 6(*a*), (*b*), and (*c*) above, the Secretary of State be guided by the positions outlined in the attached Annexes A, B, and C, respec-

tively, subject to such modifications and amendments as may be agreed between the Secretary of State and the Secretary of Defense with the advice of the Joint Chiefs of Staff and the Chairman of the Atomic Energy Commission.

Annex A

1. It is necessary to approach the problem of relaxing tensions on a broad front and to undertake negotiations on proposals for the solution of existing problems in Europe and the Far East and proposals for a census and verification and the reduction and limitation of armed forces and armaments. Not until such negotiations are substantially completed, would any of the major agreements arrived at become operative.

2. At the possible meeting of the Council of Foreign Ministers, negotiations could be undertaken among the Four Powers to determine what negotiating progress can be made on agreement with respect to a census and verification, and reduction and limitation of armed forces and armaments and on proposals for the solution of existing European problems. If such progress is sufficiently great to make it appear possible that agreement can be reached, then the negotiations should be widened to include representatives of the Peiping regime for the purpose of negotiation for Peiping's acceptance of agreements for a census and verification and reduction and limitation of armed forces and armaments as well as proposals for the settlement of other existing problems in the Far East.

3. In the context of such negotiations as those described above, we could advance the following proposals:

A. *Europe*

1. Austria

*a.* The completion of a peace treaty.

*b.* Withdrawal of occupation troops from Austria.

*c.* Withdrawal of Soviet forces on the lines of communication through Hungary and Rumania.

2. Germany

*a.* Free elections and the creation of a unified Germany.

*b.* Reduction of occupation forces to agreed limits.

*c.* The completion of a peace treaty, which would provide for limiting German rearmament to one-half that which would be permitted a country under the criteria included in the agreement for the reduction and limitation of armed forces and armaments, together with inspection to assure compliance.

*d.* Withdrawal of all occupation forces from Germany.

3. Soviet European Satellites

*a.* Revision of the treaties of peace with Hungary, Rumania and Bulgaria to provide for limiting their militarization to one-half that

which would be permitted a country under the criteria included in the agreement for the reduction and limitation of armed forces and armaments, together with inspection to assure compliance.

*b.* Enforcement of the human rights provisions of the Satellite peace treaties.

4. Withdrawal of Alien Forces.

An agreement for the withdrawal of all alien forces from European countries after completion of the foregoing actions and the coming into operation of the agreement for the reduction and limitation of armed forces and armaments.

B. *Far East*

1. Korea

*a.* The termination of hostilities in Korea.

*b.* Free elections and the unification of Korea.

*c.* Withdrawal of all alien forces.

2. Japan

*a.* Completion of a peace treaty, which would provide for limiting Japanese rearmament to one-half that which would be permitted a country under the criteria included in the agreement for the reduction and limitation of armed forces and armaments, together with inspection to assure compliance.

*b.* Withdrawal of all alien forces upon the coming into operation of the agreement for the reduction and limitation of armed forces and armaments.

3. Indochina

*a.* Cessation of all Chinese assistance to Viet Minh forces.

*b.* To insure that such assistance ceases, observation and inspection in China in accordance with the system of observation and inspection included in the agreements for census and verification and reduction and limitation of armed forces and armaments.

4. Formosa

*a.* Upon the completion of the above actions and the coming into operation of the agreement for the reduction and limitation of armed forces and armaments, the demobilization of Nationalist forces in Formosa.

*b.* Political amnesty for members of the Nationalist forces and government and permission for them to remain on Formosa or return to the mainland and continue there without molestation.

5. Recognition of Peiping Regime

*a.* Upon completion of negotiations with the Peiping Regime on agreements for a census and verification and reduction and limitation of armed forces and armaments and on solutions of the foregoing problems in the Far East and upon the coming into operation of such agreements, diplomatic recognition through the exchange of ambassadors and admission of the Peiping Regime to the United Nations.

Annex B

1. The U.S. Government has consistently advocated and continues to advocate international agreement on the reduction and limitation of armed forces and of armaments subject to proper safeguards.

2. On October 24 the President suggested that the United Nations Atomic Energy Commission and the Commission on Conventional Armaments be merged.

3. The progress of work in the United Nations could be greatly accelerated if there were agreement among the powers represented on the Council of Foreign Ministers on the broad outlines of a workable program.

4. Such a program requires concurrent progress in the reduction of tensions other than the level of armaments.

5. Such a program should cover all weapons and armed forces. In order to simplify the problem of definition and minimize the danger of circumvention, all police, internal security and paramilitary forces should be included in the definition of armed forces.

6. Such a program should eventually include all nations; however, agreement among the powers having substantial forces may be an adequate starting point.

7. A workable program should involve five major elements:

*a.* Agreement as to the purposes of the program.

*b.* Agreement as to the general criteria to cover the size and composition of permitted forces.

*c.* The submission by each country of national programs designed to conform to the purposes and to be within the criteria and the negotiation of revisions of such programs so that mutual agreement as to their conformity is arrived at.

*d.* The putting in effect of an adequate system of inspection and verification.

*e.* The phased implementation of the agreed programs.

8. The U.S. believes that the purposes of such a program should be approximately as follows:

*a.* to bring about, as one part of a general program for relaxing international tensions, for increasing the security of nations, and for decreasing the danger of war, a reduction and limitation of the armed forces and armaments of the parties;

*b.* to initiate such measures as may be required to ensure that each party will have notice of a violation of this agreement by any other party;

*c.* to create as soon as possible by these and other means relations between the parties which will permit the broadening of the agreement to include other nations with the objectives of eventually securing the adherence of all nations to a system for the reduction and limitation of armaments and of transferring the responsibility for supervision of the system to the United Nations;

*d.* to reduce as soon as possible the burden of armed forces and armaments and to encourage by this and other means increasing progress toward the realization of the purposes of the Charter of the United Nations.

9. The criteria which would govern the reduction and limitation of armaments by the parties should be along the following lines:

A. Conventional armed forces and armaments.

(1) Armed forces including paramilitary, internal security, and police forces, shall be limited to a percentage of the population (for instance, one percent), with an absolute ceiling (for instance, one million persons).

(2) The proportion of gross national product used for military purposes shall be limited (for instance, to five percent).

(3) Certain weapons (for instance, tanks, aircraft, and submarines) shall be limited in number and characteristics. (The limitation might vary between the parties in accordance with the requirements peculiar to their defensive position.)

B. Unconventional armaments.

(1) Stocks, production, and use of biological and chemical weapons shall be prohibited.

(2) Atomic energy activities shall be dealt with in accordance with the U.N. plan or with some other plan which is equally or more satisfactory.

C. Inspection. A plan for observation and inspection shall be worked out which would ensure notice of violation.

(1) With respect to atomic energy, the requirements of such a plan will depend on the answers to the questions stated in paragraph 10 below.

(2) With respect to biological and chemical weapons, it may not be possible to develop a plan which will ensure notice of violation but provision should be made for such observation and inspection as is practicable.

10. It must be expected that the Soviet Union will be unwilling to accept the U.N. plan, and that it probably will reiterate its previous proposals. In this contingency, the question arises whether, if satisfactory progress appeared to be possible on other issues, including the reduction and limitation of conventional armed forces and armaments, the U.S. should itself propose that the four powers consider the problem of developing an alternative to the U.N. plan. Before any such proposal could be made, the U.S. would have to be satisfied that some alternative plan was a practical possibility and that this alternative would be preferable, in the context of a general adjustment of problems with the Soviet Union, to a continuation of international relations along their present course. The two main possibilities to be considered are:

(1) Would it be possible to permit atomic energy activities for peaceful purposes, to prohibit stocks of fissionable materials except as authorized for peaceful purposes, and to devise an inspection system which would give us confidence that Soviet preparations for war would be detected? How would this judgment be affected if provision were made for the maintenance of agreed stocks of fissionable materials? Would it be possible to develop a variant of the U.N. plan which would not involve international ownership but would provide for participation in operation on a reciprocal basis and would it be possible by such participation to guard against prohibited activities?

(2) Would it be possible to prohibit atomic energy activities and some or all facilities and to devise an inspection system which would give us confidence that Soviet preparations for war would be detected?

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PPS Files, Lot 64 D 563

*Memorandum for the Record of State–Joint Chiefs of Staff Meeting Held in the Pentagon Building, March 15, 1951, 11 a. m.*[1]

TOP SECRET

PRESENT

General Bradley [2]
General Collins [3]
Admiral Sherman [4]
General Vandenberg [5]
General Bolte [6]
General White [7]
Admiral Wooldridge
Admiral Lalor [8]
Colonel Carns [9]
Mr. Matthews
Mr. Nitze
Mr. Perkins [10]
Mr. Ferguson
Mr. Marshall [11]
Mr. Tufts
Mr. Lay [12]

[Here follows discussion of the United States position should a meeting of the Council of Foreign Ministers occur, and of problems relating to Germany.]

Mr. Nitze said that State has been considering a proposal for a continuing census and verification of all armaments. State did not believe

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[1] For information on the nature of the State–JCS meetings, see footnote 1, p. 33.
[2] General of the Army Omar N. Bradley, Chairman of the Joint Chiefs of Staff.
[3] Gen. J. Lawton Collins, Chief of Staff, U.S. Army.
[4] Adm. Forrest P. Sherman, Chief of Naval Operations.
[5] Gen. Hoyt S. Vandenberg, Chief of Staff, U.S. Air Force.
[6] Lt. Gen. C. L. Bolté, Deputy Chief of Staff for Plans, U.S. Army.
[7] Maj. Gen. Thomas D. White, Director of Plans, Headquarters, U.S. Air Force.
[8] Rear Adm. William G. Lalor, U.S. Navy (ret.), Secretary, Joint Chiefs of Staff.
[9] Col. Edwin H. J. Carns, Deputy Secretary, Joint Chiefs of Staff.
[10] George W. Perkins, Assistant Secretary of State for European Affairs.
[11] Charles Burton Marshall, Member of the Policy Planning Staff.
[12] James S. Lay, Jr., Executive Secretary of the National Security Council.

that the Soviets could accept this and that it would probably be advantageous to us if they did. If we could advance such a proposal, we could build the rest of our program for a peaceful settlement around this. Admiral Sherman asked whether the proposal related to the census and verification of all armed forces and armaments or was restricted to those in Central Europe. Mr. Nitze said we had been considering the former. Admiral Sherman suggested that another possibility was a census and inspection of Central Europe—of the countries that have, in effect, been occupied countries. He expressed some concern over a universal census and recalled our previous experience in China when the number of troops we had stationed in Tsingtao at the time of a census became a virtual ceiling beyond which we could not increase. General Bradley also saw some dangers in this proposal, largely because of the difficulties inherent in inspecting the Soviet Union and particularly Soviet atomic energy stockpiles. Mr. Nitze reviewed briefly the technical possibility of determining how much fissionable material had been produced by examination of the production facility and of requiring an accounting for the total output thus calculated.

7. General Collins suggested that it might be wise to put forward a proposal which we were quite sure the Soviets could not accept in order to establish a good political position, provided this proposal would be acceptable to us—though not perhaps greatly to our advantage, in the event the Soviets did accept it. Mr. Nitze thought an armaments proposal might provide the foundation on which we could positively support German unification and the solution of other troublesome issues. Admiral Sherman felt that we should take the firm position that the German problem is one which cannot be considered in isolation from the whole European problem. It was agreed that a State–Joint Chiefs of Staff group should be established to consider what kind of an inspection and verification system we would require and could permit. It was also agreed that this group should make recommendations on how data on the existing level of armaments could best be presented in its relation to causes of present tensions. (The terms of reference and composition of the group are indicated in Annex A to this memorandum.)[13]

[Here follows discussion on aspects of a possible settlement with the Soviet Union in Europe, and on the situation in Korea.]

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[13] No annexes accompany the source text, but for the terms of reference and composition of the working group, see memorandum by Tufts and Lalor, March 17, *infra*.

G/PM Files, Lot 68 D 349

*Memorandum by Mr. Robert W. Tufts and Rear Admiral W. G. Lalor*

TOP SECRET [WASHINGTON,] 17 March 1951.

Memorandum for: Maj Gen R. T. Maddocks, USA [1]
Brig Gen E. J. Rogers, Jr., USAF [2]
Mr. John H. Ferguson
Mr. R. Gordon Arneson

Subject: Formulation of a Basis for U.S. Positions to be taken vis-à-vis U.S.S.R.

1. Discussions in the Paris meetings preliminary to the proposed meeting of the Four-Power Council of Foreign Ministers have highlighted the desirability of establishing a firm basis for U.S. positions on the matters of (1) inspection and verification of the military forces of the powers involved, and (2) the manner in which the existing level of armed forces and armaments can best be presented in its relation to the causes of international tensions in Europe.

2. At the State–JCS meeting on 15 March 1951, it was agreed that the addressees would be directed to study the two problems outlined above and to submit to the State–JCS conferees recommendations on these matters.

3. The Atomic Energy Commission and other government agencies should be consulted as appropriate.

4. It is the desire of the conferees that there be included in the study of the first proposition in paragraph 1 above, an exploration of the criteria for inspection and verification which we would require and which we would permit. An aspect of the second problem is the careful determination of the basis on which comparison of the size of the military forces under discussion will be made. The purpose of the study is the establishment of a foundation upon which positions may be built which would, if accepted by the Soviets, be acceptable to the United States, or if rejected by the Soviets, be advantageous to the United States and the Western Powers for their propaganda value.

5. Due to the urgency attributed to this project by the State–JCS conferees it is requested that the study be submitted to them as a matter of priority.

ROBERT W. TUFTS
*Member, Policy Planning Staff*
*Department of State*

W. G. LALOR
*Rear Admiral, U.S. Navy (Ret.)*
*Secretary, Joint Chiefs of Staff*

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[1] Army Member of the Joint Strategic Survey Committee, the senior advisory group to the Joint Chiefs of Staff.
[2] Air Force Member, Joint Strategic Survey Committee.

PPS Files, Lot 64 D 563

*Memorandum by the Assistant Secretary of State for United Nations Affairs (Hickerson) to the Secretary of State*

CONFIDENTIAL [WASHINGTON,] March 22, 1951.

Subject: Senator Flanders' Scheduled Visit of March 22 Re Disarmament

1. Attached (Tab A) is a letter of March 6 from Senator Flanders to you,[1] calling attention to his recent efforts in the disarmament field. Your reply (Tab B) on March 20 [1] invited him to come in and discuss the subject with you. Senator Flanders responded to this invitation very quickly and accordingly a meeting was set for March 22.

2. Senator Flanders and 22 other Members of Congress addressed a letter to the President on February 26 (Tab C),[2] calling on him to project the views he expressed to the United Nations General Assembly on October 24, 1950,[3] with further action. The President replied on March 15 [*14*] (Tab D),[4] reviewing our efforts to date, and agreeing to discuss the matter further on his return.

3. It is reported that Senator Flanders and Representative Battle are thinking of introducing a resolution on the subject.

4. Senator Flanders addressed a letter to the editor of the *Washington Post* on March 14 on the subject (Tab E)[1] referring to the State Department as unimaginative and atrophied.

5. For these reasons, it would be useful to apprise Senator Flanders and his colleagues of the work that has been done in the disarmament field and of the complexities of the subject of which they now seem unaware. This does not have to be done all at one time at this first meeting. It would be useful if we could make them sufficiently aware of the problems with which we have been faced and of the sincerity of our efforts so that their efforts could be worded and timed to support us rather than embarrass us. At this initial meeting, we are not now in a position to discuss fully the thinking of Mr. Nitze's group on future possibilities in this field, but we could arrange for subsequent discussions with Messrs. Nash, and myself to review with them our thinking in connection with the studies of the United Nations Committee of 12 regarding the coordination of the Atomic Energy Commission and the Commission for Conventional Armaments.

6. It is understood that Senator Flanders and his group were a little disappointed in the President's reply to their letter as a little

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[1] Not printed.

[2] For text, see Department of State *Bulletin*, March 26, 1951, p. 516.

[3] For text, see GA(V), *Plenary*, pp. 245–247, or Department of State *Bulletin*, November 6, 1950, pp. 719–722.

[4] For text, see *Public Papers of the Presidents of the United States: Harry S. Truman, 1951*, pp. 182–185, or Department of State *Bulletin*, March 26, 1951, pp. 514–516.

lacking in warmth and cordiality. They are anxious to get a pat on the back for their interest in the subject and would like to feel that their efforts complement rather than conflict with those of the Executive Branch of the Government.

7. For purposes of the present meeting, I think Senator Flanders will feel the meeting has been satisfactory from his standpoint if you express active interest in the general subject and have a few appropriate words of praise for the worth-whileness of his efforts in this field.

8. In light of the above, it is suggested that you make the following specific points:

*a*) The roadblocks in the path of achieving disarmament are not of our choosing, in spite of our efforts, and require our rearming.

*b*) Despite the roadblocks and the threat they pose, we will also continue our efforts for genuine disarmament which is a fundamental objective of our foreign policy.

*c*) We welcome the interest and views of Senator Flanders, his colleagues, and other members of Congress and will be happy to think further with them on the problem in subsequent meetings.

JOHN D. HICKERSON

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611.0012/3–2251

*Memorandum of Conversation, by the Director of the Policy Planning Staff (Nitze)*

CONFIDENTIAL [WASHINGTON,] March 22, 1951.

Subject: Senator Flanders' Correspondence with the President on Disarmament

Participants: Senator Flanders
Secretary Acheson
Mr. John Hickerson
Mr. Paul Nitze

Senator Flanders opened the conversation by stating that his group believed that the United States was now putting by far its main weight on the horse of military strength and very little on the horse of disarmament. They felt that the horse of disarmament should be the primary one—that only if the world truly believed that the United States stood wholeheartedly for peace and total disarmament would we have a chance of victory in the struggle in which we were engaged.

The Secretary and Mr. Nitze brought out the point that both horses were of importance. In the period from 1945–1949 we had put primary weight on the horse of disarmament and insufficient weight on the horse of building strength. They emphasized our original demobilization after the war, our atomic energy proposals, and our proposals on conventional armaments. They brought out that the U.S.S.R. had kept

building its strength, had rejected our proposals, and that by 1950 it became clear that we had put too little emphasis on the horse of strength and that we had to push vigorously to bring it back into line again.

Senator Flanders said that people were much less clear in their minds now than they were two years ago: that the problems which faced them were much more difficult than in time of war; that in time of war they could foresee some reasonably short-term way out of their sacrifices; that now they were being asked to make sacrifices with no foreseeable solution; that it was necessary to hold out for them a clear concept, such as total disarmament with U.N. forces superior to those of any country.

The Secretary and Mr. Nitze agreed that the problem was serious and asked whether the solution which was held out to the people should not be one which met the test of being reasonably possible of accomplishment. There was some discussion of the world government implications of Senator Flanders' proposal, the difficulty we would have in living with such a solution unless the political reconditions [*preconditions*] had been achieved, the difficulty of contemplating U.S.S.R. acceptance of any proposal such as Senator Flanders suggested, and the question of its effectiveness from the propaganda viewpoint.

Mr. Hickerson referred to the first point in Senator Flanders' proposal—the lifting of the iron curtain—and all agreed that it was the necessary first step in making inspection possible and therefore an essential prerequisite to any program for disarmament. There followed a discussion of Niels Bohr's proposal for "openness".[1]

The Secretary commented on Senator Flanders' statement that we had said "no" to the Soviet proposal to include the reduction and control of armed forces in the agenda at Paris,[2] and pointed out that the press had gotten the situation exactly reversed. The Soviets were saying "no" to our proposal that the agenda include an item on the reduction and control of armaments by changing the wording to limit the proposal to the four major powers and substituting the words "armed forces" for "armaments".

Senator Flanders said that he desired to work with the Administration on the subject of his proposals; that he wanted to see the President as suggested in the President's letter to him; that the Steering Committee of his group, consisting of Senator McMahon, Representa-

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[1] Dr. Niels Bohr, Danish physicist, advocated a system of free exchange of ideas and information among nations. For documentation on his proposals, see *Foreign Relations*, 1948, vol. I, Part 1, pp. 311 ff. and *ibid.*, 1950, vol. I, pp. 1 ff.

[2] Reference is to the exploratory talks at Paris which opened on March 5 and adjourned on June 21 without an agreement being reached on an agenda for a conference of Foreign Ministers. For documentation on this subject, see vol. III, pp. 1086 ff.

tive Herter and Representative Battle [3] were working on a resolution; that they would prefer to go ahead in agreement with the Administration, but that they might want to go further than the Administration was prepared to go.

The Secretary said that the State Department was actively considering positions it might wish to take in the possible Conference of Foreign Ministers on the subject of the control and limitation of armaments, and suggested that as this work progressed it might be advisable to have discussions between Senator Flanders and the other members of his Steering Committee and the State Department to discuss further a possible resolution on the subject of disarmament.

[3] Senator Brien McMahon of Connecticut, Chairman of the Joint Committee on Atomic Energy; Representative Christian A. Herter of Massachusetts, Member of the House Foreign Affairs Committee; and Representative Laurie C. Battle of Alabama, Member of the House Foreign Affairs Committee.

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396.1–PA/4–451 : Telegram

*The Secretary of State to the Embassy in France*

TOP SECRET WASHINGTON, April 4, 1951—7 p. m.

5238. For Jessup.[1] To advise you progress here in developing proposals on inspection and verification as well as control, reg and limitation armed forces and armaments, fol is summary situation.

1. Desirability of advancing comprehensive proposals which wld cover armaments as well as such polit questions as problem of Germany has been discussed in State–JCS mtgs and working group composed of State–Joint Chiefs of Staff designees has been formed to study possibility including atomic energy in system of inspection and verification and to attempt develop foundation for comprehensive proposals.

2. Frank Nash is participating in working group. We are presently consulting AEC and intel agencies.

3. Is prelim view of State reps that system census and verification will have real meaning only if it is undertaken on continuing basis and in connection with system of regulation and limitation armed forces and armaments. Also our prelim view that any such program wld require phased implementation in order provide safeguards to participants during substantial prd involved in arriving at reduction armed forces and armaments to agreed levels.

4. It appears that effective program inspection and limitation wld have to cover para-military, security and police forces as well as reg-

[1] Philip C. Jessup, Ambassador at Large; United States Deputy at the Four-Power Exploratory Talks at Paris.

ular armed forces and State reps believe some percentage of population, together with an absolute ceiling, might provide feasible criterion. Whether former enemy countries wld be subject more stringent limitations wld have to be considered.

5. Dept believes might also need be limitation on percentage of natl production which cld be utilized for mil purposes and limitations on quantity of particular armaments each country permitted to retain. Re control and reg of atomic energy activities, we wld have to insist on UN plan or one no less effective.

6. Settlement particular polit problems such as Ger. wld also be included in comprehensive proposal for reduction of tensions.

7. Is recognized that acceptance of comprehensive program by Sov highly unlikely at this time. Our approach to development of proposals is to assure they wld be acceptable to us if agreed to by Sov and wld provide us propaganda advantage if rejected. Since Sov has repeatedly stated it wld support idea of census and verification if it included atomic energy, we believe we wld derive substantial advantage if we cld now broaden our proposals to include atomic energy and confront Sov with necessity rejecting them or permitting broad inspection behind iron curtain.

8. Plus work described above, we are preparing material for presentation under item "existing levels of armaments." In prelim view is necessary trace comparative levels of armaments since end of war and we will probably wish to confine presentation to Sov bloc and Western forces in Europe. Here we may have some difficulty because of security classification part of material but believe it possible make comparisons in rounded totals.

9. Rationale of Western position in draft form has been subj consultation with Mosely.[2] In present view it wld be advisable develop two briefs: one, to be used at CFM opening, wld define principles on which negots and settlements cld be based; and second, to be used in event it becomes apparent mtg will not succeed, wld spell out obstacles to settlement that result from Sov attitudes and intentions.

ACHESON

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[2] Presumably Dr. Philip E. Mosely, Director of the Russian Institute, Columbia University; political adviser on United States delegations to various international conferences concerned with the European peace settlements, 1943–1946.

PPS Files, Lot 64 D 563

*Memorandum by the Central Intelligence Agency*

TOP SECRET [WASHINGTON,] 12 May 1951.
SE-4

SPECIAL ESTIMATE [1]

## INTELLIGENCE IMPLICATIONS OF A CENSUS AND VERIFICATION OF ARMED FORCES AND ARMAMENTS

### THE PROBLEM

To analyze, from the intelligence point of view, the implications of a census and verification of armed forces and armaments (including atomic).

### ASSUMPTION

That a continuing census and verification of all armed forces* and armaments, including atomic weapons, of the US and the USSR is to be undertaken on a phased basis as the first step of an agreed international system for control, regulation, and limitation of armed forces and armaments, including atomic energy activities.

### CONCLUSIONS

1. We are convinced that the USSR would enter into any agreement of census and verification in bad faith and would carry it out in bad faith.

2. Since the USSR has far more information on the US than vice-versa, it is probable that a census and verification could be so devised that in the initial phases the US would secure more valuable information than would the Soviet Union. This would require that the USSR be prevented from securing in those initial phases information intended to be withheld until a later phase, or not to be disclosed at all.

3. Beyond the initial stages, phasing of such a census and verification will become increasingly difficult and there will be a correspondingly greater danger that the USSR would secure information of relatively greater value than would the US.

4. Adoption of the following principles in the phasing of census and verification would aid in protecting US interests:

*a.* In the earlier phases, only the least sensitive information should be released.

*b.* Sensitive aspects of research and development in all fields, manufacturing processes and details of new weapons (the measure of US technological superiority) should be excluded altogether.

[1] For information on the Special Estimate series of intelligence reports, see footnote 3, p. 193.

*Including para-military, internal security, and police forces. [Footnote in the source text.]

*c.* The freedom of movement and access of inspection teams should in general be carefully limited to quantitative verification of numbers, types, sizes, etc., although within these limits inspection should be as full and free as possible. Detailed inspection of technical specifications, performance data, etc., should be avoided. Although this limitation on the freedom of inspection would reduce the amount of intelligence the US would acquire, it would be necessary in order to guard against exposure of the highly sensitive information excluded from the census and against premature disclosure in an earlier phase of information reserved for a later phase.

*d.* Each phase, and within it each step in the inspection process, should be carried out simultaneously in the US and USSR.

5. It is certain that the USSR would attempt to exploit any system of census and verification to its advantage and there is grave danger that the USSR might succeed in so exploiting it. Although a system based on the principles enumerated in 4 above would in the initial phases theoretically secure for the US more information on the USSR than vice-versa, and aid in protecting the technological superiority of the US, we believe that these results would be extremely difficult to achieve in practice. It would be particularly difficult to implement the system in detail in such a way as to prevent the USSR from securing in an earlier phase information which was to be withheld until a later phase, or not disclosed at all. An analysis of these difficulties, as well as the possibilities of surmounting them, will require careful and extensive study by operating as well as intelligence agencies of this government.

[Here follows discussion of the problem.]

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PPS Files, Lot 64 D 563

*Memorandum by the Secretary of the Air Force (Finletter)*[1]

TOP SECRET [WASHINGTON,] June 29, 1951.

MEMORANDUM FOR THE JOINT SECRETARIES[2]

Subject: Report on the State–Joint Chiefs of Staff Working Group on the Disarmament Proposal[3]

1. This is a very important document. In substance it is a paper (agreed upon by State and the Joint Chiefs) proposing that the United States, at the Security Council, formulate and announce a policy for peace by the means of disarmament, somewhat along the lines of the President's program in his October 24, 1950 speech.

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[1] A marginal notation on the unsigned source text indicates that this memorandum was prepared by Secretary Finletter.

[2] The Secretaries of the military services were Frank Pace, Jr., Secretary of the Army; Francis P. Matthews, Secretary of the Navy; and Thomas K. Finletter, Secretary of the Air Force.

[3] The report is contained in NSC 112, July 6, p. 477.

The idea of the paper is that we are allowing the Russians to have the initiative in the drive for peace. The United States as the leader of the free world (such is the thesis of the paper) is doing well in its policy of strengthening the free world militarily and economically to resist the Communist aggression; the United States is, however, laggard in its leadership towards its basic objective—the establishment of a world of organized peace.

Disarmament, the paper in effect states, is the key to the problem. If the nations didn't have the things that make war they could not make war. The proposal therefore is that, under a system of inspection, control, and on a step by step basis with its enemies, the United States accept the principle of gradual disarmament.

Implicit in the paper is the point that the United States, as the leader of the free world, should hold out to the world, as a great beacon, the hope that all of this preparation for war is not necessarily going to end with fighting, and should reaffirm its policy, in practical terms, that the basic purpose of the free world is a world of organized peace.

In short, it is no argument against this paper that the Russians probably will not accept it. The point is that the United States should know where it wants to go and should state to the free world the high ideal which motivates it—with the hope that some day the major nations of the world would accept this ideal.

2. In my opinion the Joint Secretaries should support this forward looking and imaginative move. It is easy to get so immersed in military preparations that we forget the real objective. For the United States to have the wisdom and clarity of purpose which this paper reveals is a great step forward and holds out great hopes for the future. It would be a mistake, in my opinion, to cavil about the paper. On the contrary every encouragement should be given to those who have created it.

3. However one point should be made—not in the sense of caviling but in order to be helpful.

This point relates to Paragraph 33 of the paper, which in substance states that the reduction in armaments is to be of the voluntary type rather than of the enforced type. Let me explain what I mean.

Starting with the Atomic Declaration of November 1945 [4] the President has stated the policy that disarmament is his purpose, but that this disarmament must be under a "fool proof" system of security. This idea of a fool proof or enforceable system of security runs all the way through the various documents from the Atomic Declaration down

[4] The reference is to the Agreed Declaration by President Truman, Prime Minister Attlee of the United Kingdom, and Prime Minister King of Canada, signed at Washington, November 15, 1945; for text, see Department of State Treaties and Other International Acts Series (TIAS) No. 1504, or 60 Stat. (pt. 2) 1479.

to the President's October 24th speech before the United Nations.[5] The "fool proof" idea is in the Moscow Declaration of December 1945,[6] the General Assembly Resolution of December 1946,[7] and in the Baruch Report of June 1946.[8]

The opposite of the "fool proof" idea—and an idea which is repudiated by the President's policy—is unilateral or non-enforceable disarmament.

There are two disadvantages to unilateral disarmament. The first is that if it were accepted it would be disadvantageous to us—for the reason that any such unilateral disarmament is based on promises—and in an agreement like that we of the free world are at a disadvantage. For we keep our promises and the other side does not keep its. This means that we would disarm in reliance on a commitment which is completely unreliable.

Also it isn't possible to get people to disarm, I think, unless you can offer to both sides the safeguard that once the two sides are disarmed they can be protected in their disarmed state by an enforceable system. This is what the term "fool proof" really means—assurance that the disarmament is real and will last.

The whole history of the desperate efforts toward disarmament between the two world wars seems to prove this point—that you have to assure people that they can count on the promises of the other fellow—and the only way you can do this is to have some system of enforcement which will make him respect his promises.

It is for these reasons that the "fool proof" idea has been so prominent in the President's proposals. What this means is that as the nations disarm they would transfer certain agreed portions of the arms of which they divested themselves to the enforcing agency—the United Nations—all to the end that when the job was completed the United Nations would have a force greater than that of any of the disarmed states and therefore would be able to enforce the agreement to stay disarmed.

Please note, and this is an important point, that inspection and control are not enforcement. Inspection and control are merely intelligence

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[5] For text of the President's address to the General Assembly, October 24, 1950, see GA(V), *Plenary*, pp. 245–247, or Department of State *Bulletin*, November 6, 1950, pp. 719–722.

[6] For text of the pertinent portion of the Communiqué of the Moscow Tripartite Conference of Foreign Ministers, December 1945, see *Foreign Relations*, 1945, vol. II, pp. 822–824.

[7] For text of the resolution adopted by the General Assembly on December 14, 1946, "Principles Governing the Regulation and Reduction of Armaments," see *ibid.*, 1946, vol. I, p. 1099.

[8] Reference is to the statement by Bernard M. Baruch, United States Representative, at the First Meeting of the United Nations Atomic Energy Commission, June 14, 1946, which contained the initial U.S. proposals for international control of atomic energy. For text, see United Nations, *Official Records of the Atomic Energy Commission, First Year, Plenary Meetings*, pp. 4–14 (hereafter cited as AEC, *1st yr., Plenary*), or Department of State *Bulletin*, June 23, 1946, pp. 1057–1062.

operations whereby the activities of the nations are revealed. Inspection and control are not an operative enforcing device. They are only necessary steps which will enable enforcement to take place. If there is to be enforcement, it will have to be in the United Nations—at the end of the disarmament process—through the creation of a UN force greater than that of any of the disarmed states.

This is not to say that we have to operate under Article 43.[9] Everybody is discouraged by the failures under Article 43, and it may be that it is for this reason that the paper under consideration expressly rules out the idea of an "international force capable of assuring compliance with the program for regulation, limitation and balanced reduction."

I agree that Article 43 is tied up with too many past failures to be an attractive vehicle for the establishment of the necessary force in the United Nations. This is not to say however that some new device, some new procedure, within UN, could not be created; and I recommend that it be created in the plan under consideration.

I believe that it would be a serious error for us to fail to support, and indeed to reject as this paper does, the President's policy of enforced disarmament—the "fool proof" system of security. I agree that we are not going to develop any such thing overnight. But neither are we going to develop the kind of gradual and enforceable policy overnight which the paper contemplates.

4. However in this paper is the design for the future, if there is any hope of avoiding World War III, as I think there is. This paper is a statement of an aspiration—but one which I think has the possibility of being realized—especially if the Russians see the free world building its strength.

We should therefore not hesitate to put into this paper an indispensable element and one so vigorously put forward by the President. We should not, I believe, repeat the error which the caution of the statesmen in the period between the two wars produced—that is of going halfway in our aspirations to control the weapons of modern war. The business of going halfway is no doubt produced not only by a sense of caution but also by a sense that such a course, being less than complete, is therefore practical. I believe that it would be much more practical to propose a system which would work if accepted, rather than one which experience has shown, and I believe common sense shows, to be unacceptable to the nations.

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[9] Article 43 of the United Nations Charter specified that all members would make forces and facilities available to the Security Council upon call, in accordance with agreements between the Security Council and member states. Negotiations in the Military Staff Committee of the Security Council since 1946 had failed to produce arrangements whereby forces were actually placed at the disposal of the Council. Documentation on this subject is included in material on regulation of armaments in *Foreign Relations*, volume I, for the years 1946–1950.

May I elaborate specifically on this last point.

There are three major weapons which will cause special trouble in any disarmament discussions—the Red Army, the Russian atomic stockpile and the accompanying planes, and the United States atomic stockpile and the accompanying planes.

I can't imagine Russia demobilizing the Red Army unless Russia saw she was dealing with a plan which would have the United States divest itself of its strategic air arm. Nor can I imagine the United States weakening in the slightest its strategic air arm if it thought that at any time Russia could break the agreement with impunity and start off even on the atomic race as opposed to being considerably behind as it now is. I personally would vigorously oppose it, and I think the American people would feel the same way.

However, on the other hand, under a gradual system of disarmament which was transferring power to the United Nations at the same time as the member nations were divesting themselves of arms, the two strategic air arms of Russia and the United States would be the last things that would be divested. I can conceive of both countries, if they wanted to, and seeing a United Nations force capable with inspection and control and the necessary physical power to enforce a condition of disarmament, agreeing to the final and most radical stage of all—the relinquishing of their own greatest weapons and relying on the United Nations as the enforcing agency of disarmament.

All of this may seem unrealistic. Perhaps it is. But it is not as unrealistic, in my opinion, as thinking that the nations are going to disarm voluntarily under a system that assures them of no security in their disarmed state.

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PPS Files, Lot 64 D 563

*Memorandum by the Special Assistant to the Secretary of State (Battle) to the Deputy Director of the Policy Planning Staff (Ferguson)*

TOP SECRET [WASHINGTON,] July 6, 1951.

The Secretary told me on his return from Cabinet that General Marshall[1] had the attached memorandum for the Executive Secretary of the NSC[2] with him at Cabinet this morning. The Secretary

[1] George C. Marshall, Secretary of Defense.

[2] A handwritten notation on the source text indicates that the attachment became NSC 112 (*infra*). The attachment, not printed, is substantially identical to NSC 112 except that it includes a covering letter dated May 16, transmitting the study from the working group to the State–Joint Chiefs of Staff Conferees (not printed), and the Tufts–Lalor memorandum of March 17 providing instructions to the working group (p. 465).

has signed that memorandum. General Marshall spoke to the President about this project.

The General also expressed himself as highly enthusiastic about the paper.

L[ucius] D. B[attle]

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S/S–NSC Files, Lot 63 D 351,[1] NSC 112 Series

*Report to the National Security Council by the Secretaries of State and Defense*

TOP SECRET
NSC 112

WASHINGTON, July 6, 1951.

FORMULATION OF A UNITED STATES POSITION WITH RESPECT TO THE REGULATION, LIMITATION AND BALANCED REDUCTION OF ARMED FORCES AND ARMAMENTS

NOTE BY THE EXECUTIVE SECRETARY

References: A. NSC 79 [2]

B. Senior NSC Staff Project, "Conditions for a Peaceful Settlement With the USSR", listed in the current NSC Status of Projects [3]

The enclosed memorandum by the Secretaries of State and Defense and its attached report on the subject, prepared pursuant to Reference B by a State–Defense working group as part of the NSC 79 project, are submitted herewith at their request for consideration by the National Security Council and will be scheduled on the agenda of an early Council meeting.

Attention is invited to the fact that the enclosure recommends that:

*a.* The basic principles contained in paragraph 6, Part V and the "Conclusions" contained in paragraph 7, Part VI of the attached report, be approved as the basis for the development of detailed United States positions for use in any negotiations which may be undertaken in connection with a proposal for a system of regulation, limitation and balanced reduction of armaments and armed forces; and

*b.* In the event of the approval of the enclosure as recommended above, an interdepartmental group, representing appropriate departments and agencies, be established to develop such detailed United States positions.

Accordingly, it is recommended that, if the above recommendations are adopted, the enclosed report be submitted to the President for consideration with the recommendation that he approve the above

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[1] Master set of National Security Council documentation, 1947–1961, retired by the Executive Secretariat of the Department of State (S/S).

[2] For text of NSC 79, August 25, 1950, which requested the preparation of a study on war objectives, see *Foreign Relations*, 1950, vol. I, p. 390.

[3] For information on this reference, see footnote 4, p. 444.

recommendations and direct their implementation by all appropriate executive departments and agencies of the U.S. Government under the coordination of the Secretary of State.[4]

JAMES S. LAY, JR.

[Enclosure]

*Memorandum by the Secretaries of State and Defense to the Executive Secretary of the National Security Council (Lay)*

TOP SECRET [WASHINGTON,] July 6, 1951.

Subject: Report to the National Security Council on the Formulation of a United States Position with Respect to the Regulation, Limitation and Balanced Reduction of Armed Forces and Armaments.

There is forwarded herewith a report on the "Formulation of a United States Position with Respect to the Regulation, Limitation and Balanced Reduction of Armed Forces and Armaments". This report was prepared by a State–Defense working group, and has received the approval of the Secretary of State, the Secretary of Defense, and the Joint Chiefs of Staff.

It is requested that this report be submitted for early consideration by the National Security Council. It is essential that the United States Government come to a formulation of its policy for the regulation, limitation and balanced reduction of armed forces and armaments, including disclosure and verification of such armed forces and armaments, for two reasons:

(1) As a result of the President's address to the United Nations on October 24, 1950, the United Nations is at work putting together its Commission on Conventional Armaments and its Commission on Atomic Energy. At the next session of the General Assembly this subject will inevitably be an active one and it is important that the United States should maintain its leadership and initiative. In this connection we must also expect either that the U.S.S.R. may put forward some disarmament proposals for which we should be prepared, or that groups in Congress, now active, may advance proposals.

(2) It may well be desirable, possibly before the next session of the General Assembly of the United Nations, and possibly in connection with other proposals for the solution of East-West problems in Europe and Asia, as contemplated in that part of the NSC 79 project dealing with the development of conditions for a peaceful settlement with the USSR, for the United States publicly to put forward proposals relating to the regulation, limitation and balanced reduction of armed forces and armaments.

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[4] At its 97th Meeting, July 18, the National Security Council agreed to the recommendations contained in points *a* and *b* above (NSC Action No. 511: S/S–NSC Files, Lot 66 D 95). By memorandum of July 19, Executive Secretary Lay notified the Council that President Truman had that day approved the recommendations and directed that they be implemented (PPS Files, Lot 64 D 563).

Therefore it is deemed important that the National Security Council give this matter urgent study. The attached report is submitted as a basis on which the United States can formulate its policy and prepare proposals.

In the event of approval by the National Security Council of this report as a basis for such proposals, it is recommended that an interdepartmental group, representing appropriate departments and agencies of the Government, be established to develop detailed United States positions for use in any negotiations which may be undertaken pursuant to the proposals.

DEAN ACHESON
G. C. MARSHALL

[Subenclosure]

REPORT OF THE STATE–JOINT CHIEFS OF STAFF WORKING GROUP ON THE FORMULATION OF A BASIS FOR U.S. POSITIONS TO BE TAKEN VIS-A-VIS U.S.S.R.

I. THE PROBLEM

1. Under its terms of reference, the State–Joint Chiefs of Staff Working Group was directed to study two problems: (1) a basis for the U.S. position on the matter of disclosure and verification of armed forces and armaments, including the criteria for verification which the U.S. would require and permit; (2) the manner in which the existing level of armed forces and armaments can best be presented in its relation to the causes of international tensions in Europe.

II. PURPOSE

2. The purpose of this study is the establishment of a foundation upon which positions may be built which would, if accepted by the Soviet Union, be acceptable to the U.S. or, if rejected by the Soviet Union, be advantageous to the U.S. and the Western Powers for their propaganda value. The urgency of establishing such a foundation arises in large measure as a result of the meetings now being held in Paris preliminary to a possible Council of Foreign Ministers meeting of the U.S., USSR, U.K. and France.

III. NATURE OF THE REPORT

3. The study of the Working Group is contained in two papers attached hereto as Annexes "A" and "B". Annex "A" deals with the problem of disclosure and verification of armed forces and armaments and Annex "B" deals with the presentation of material relating to the existing level of armed forces and armaments in relation to the causes of international tensions in Europe.

IV. THE WORKING GROUP AND ITS CONSULTATION WITH OTHER AGENCIES

4. At the State–Joint Chiefs of Staff meeting of 15 March 1951, it was agreed that a Working Group from the Department of State and from the Joint Chiefs of Staff Organization would be directed to study the problems described above and to report to the State–Joint Chiefs of Staff conferees on these matters. In addition to the four members originally designated, the Working Group invited Mr. Frank Nash of the Office of the Secretary of Defense to participate in the study, and he has attended most of the meetings. Mr. Nash is also the U.S. Representative on the U.N. Commission on Conventional Armaments, and has a broad knowledge of the field under study.

5. As authorized by its terms of reference, the Working Group has consulted with the Atomic Energy Commission (AEC) and the Central Intelligence Agency (CIA) and through the latter with the intelligence branches of the various departments and agencies which participate in the work of the CIA. Consultation with the AEC was arranged through Mr. LeBaron [5] and the Military Liaison Committee and the Working Group had assistance from Brigadier General Herbert B. Loper [6] and Brigadier General Alvin R. Luedecke [7] in this matter. Consultation with the CIA was arranged through Mr. Paul H. Nitze and the Working Group was able to discuss the problem at length with various CIA officials. Material secured as a result of such consultations is on file in the Department of State and in the Joint Chiefs of Staff Secretariat.

V. BASIC PRINCIPLES WITH RESPECT TO THE REGULATION OF ARMAMENTS AND ARMED FORCES

6. In their approach to the problem, the Working Group recognized that a system of disclosure and verification is but one facet of the larger problem of the regulation of armaments and armed forces. The Working Group agreed to the following principles as essential to the establishment of a basis for the development of United States positions on the matter:

*a.* In the light of the present world situation the security interests of the United States demand that the first step in the field of regulation of armaments and armed forces be achievement of international agreement on at least the general principles involved;

*b.* International control of atomic energy is inseparably related to international regulation of armed forces and all other forms of armaments; and

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[5] Robert LeBaron, Chairman of the Military Liaison Committee to the United States Atomic Energy Commission.

[6] Member of the Military Liaison Committee.

[7] Deputy Chief of the Armed Forces Special Weapons Project; Executive Secretary of the Military Liaison Committee, 1949–1951.

*c.* The international control of atomic energy must be based on the United Nations Plan [8] or some no less effective plan.

VI. CONCLUSIONS

7. Subject to the acceptance of the basic principles outlined in Section V, above, the Working Group has concluded that:

*a.* A system of disclosure and verification of armed forces and armaments logically would be the first step in the implementation of an agreed international program for the regulation, limitation, and balanced reduction of armed forces and armaments;

*b.* The system of disclosure and verification must be on a continuing basis;

*c.* Disclosure and verification should be applicable to all armaments, including atomic, and all types of armed forces including paramilitary, security, and police forces;

*d.* To protect the security interests of the U.S., disclosure and verification should be carried out stage by stage, with appropriate provisions for proceeding to the next stage only when previous stages have been satisfactorily concluded;

*e.* To protect the security interests of the U.S., disclosure and verification should begin with the relatively less sensitive information and proceed to the information which is more sensitive:

(1) With respect to atomic energy, the phasing might start first with raw materials, proceed to processing plants and facilities for producing fissionable materials and finally include weapons and weapon fabrication facilities;

(2) With respect to armed forces and other weapons, the phasing should probably begin with a count of police, security, and paramilitary forces (including their reserve components) together with the types and amounts of their matériel in service and in reserve, and proceed to inspection of regular army, navy, and air forces together with the types and amounts of their matériel in service and reserve;

*f.* A program for the regulation, limitation and balanced reduction of armed forces and armaments (including international control of atomic energy), of which disclosure and verification would be a step, could not depend in the foreseeable future on the existence of an international force separate and apart from national armed forces, and therefore should not involve the balanced reduction of existing armed forces and armaments to the level which the mere maintenance of internal security would require;

*g.* Under a program for the regulation, limitation and balanced reduction of armed forces and armaments (including international control of atomic energy), the United States must under present world conditions rely on the willingness of the participating nations to con-

[8] For an explanation of the "United Nations Plan," see footnote 7, p. 446.

tinue the plan or on the capability and willingness of the United States and states cooperating with it to deal with violations if any occur;

*h.* Because of the complexity of the matter and since no empirical formula has yet been devised for the determination of national armed forces to which nations will agree, it probably will be necessary, prior to the implementation of any part of the program which has to do with the actual regulation, limitation or reduction of armed forces or armaments, to develop the precise nature of the program and to reach agreement regarding the program by detailed negotiations;

*i.* A program should call for the regulation, limitation and balanced reduction of armed forces and armaments to a level which would decrease substantially the possibility of a successful initial aggression and thereby increase the chances that armed aggression would not be resorted to in furtherance of national objectives;

*j.* If armed force can be so limited that resort to its use as an instrument of national policy would be much less likely, the conflict between the intentions of the West and the Soviet orbit might be resolved through other means;

*k.* A program for the regulation, limitation and balanced reduction of armed forces and armaments should be open for adherence to all states and initially it must include those states whose military resources are so substantial that their absence from the program would endanger it. In any event, the Soviet European satellites and Communist China must be included;

*l.* A program for the regulation, limitation and balanced reduction of armed forces and armaments would have to provide for the administration of adequate safeguards by competent international authority with appropriate status, rights and powers;

*m.* A proposal for an international system of phased disclosure and verification of all armed forces and armaments, including atomic, as the first step in implementation of a program for the regulation, limitation and balanced reduction of armed forces and armaments (including international control of atomic energy), with adequate safeguards, would be advantageous to the United States if accepted by the USSR and would be advantageous to the United States for its propaganda value even if rejected by the USSR;

*n.* Data on existing levels of armed forces and armaments can be presented to indicate the relation of such levels of armed forces and armaments to the causes of international tensions in Europe.

## VII. RECOMMENDATIONS

8. It is the recommendation of the Working Group that:

*a.* This study be forwarded by the Department of State–Joint Chiefs of Staff Conferees, through appropriate channels, to the National Security Council for consideration as the basis for the development of a United States position on regulation, limitation and balanced reduc-

tion of armed forces and armaments, including disclosure and verification of military forces; and for the manner of presentation of the level of armaments in its relation to causes of existing international tensions in Europe; and

*b.* The Department of State–Joint Chiefs of Staff Conferees recommend to the Secretary of State and the Secretary of Defense, respectively, that in the event of approval of this study an interdepartmental group, representing appropriate departments and agencies of the Government, be established to develop detailed United States positions for use in any negotiations which may be undertaken in connection with a proposal for a system of regulation, limitation and balanced reduction of armaments and armed forces.

Annex "A"

## The Question of Disclosure and Verification of Armed Forces and Armaments and the Formulation of a Basis for U.S. Positions To Be Taken Vis-a-Vis U.S.S.R.

### I. INTRODUCTION

1. The discussions at the preliminary conference of deputies in Paris convened to arrive at an agreed agenda for a Four Power Foreign Ministers Conference point up the need for a development of U.S. positions on a number of outstanding issues. These issues include such specific political questions as Germany and Austria as well as the general causes of tension in Europe. The excessive size of the armed forces of the Soviet Union and its satellites is symptomatic of these tensions. The wide range of these issues indicates that the U.S. will be confronted with the necessity of developing broad proposals with respect to armed forces and armaments in order to assist in the possible settlement of specific political issues.

### II. OBJECT

2. The object of this Annex is to establish a basis for the U.S. position on the matter of disclosure and verification of armed forces and armaments, including the criteria for verification which the U.S. would require and permit.

### III. PURPOSE

3. The purpose of this Annex is the establishment of a foundation upon which positions may be built which would, if accepted by the Soviets, be acceptable to the U.S., or if rejected by the Soviets, be advantageous to the U.S. and the Western Powers for their propaganda value.

### IV. FACTS BEARING ON THE PROBLEM

4. This Government has formally supported proposals for a "one-time" census and verification of armed forces and conventional arma-

ments. The U.N. resolution embodying such proposals treated census and verification as necessary first steps toward regulation, limitation and reduction of armed forces and conventional armaments. This resolution, however, was vetoed in the Security Council by the U.S.S.R.[9]

5. While the U.S. has not advanced specific proposals for the regulation, limitation and balanced reduction of armed forces and non-atomic armaments, the President reaffirmed this Government's support of this general principle in his address to the General Assembly of the U.N. on 24 October 1950.

6. This Government has advanced and supported in the U.N. specific proposals for the international control and regulation of atomic energy which, when fully implemented, would make effective the elimination of atomic weapons from national armaments. These proposals were embodied in what has come to be known as the U.N. Plan. This Plan, though vetoed by the U.S.S.R. in the Security Council, was approved by an overwhelming majority of the members of the United Nations.[10]

### V. ASPECTS OF THE PROBLEM OF INSPECTION AND VERIFICATION

7. The proposals formulated by the U.S. and introduced in the U.N. relating to census and verification of conventional armaments and armed forces contemplated reports by each participating nation as of an agreed date. Such reports were to cover (a) the regular armed forces, military and para-military forces subject to national control, such as border guards, internal security forces, militia and *gendarmerie*, as well as reserve components of those forces in organized groups: and (b) categories of matériel, in service and in reserve, necessary to provide adequate knowledge of the existing level of conventional armaments. Matériel in the research or development stage was specifically excluded. Such proposals indicated that the problem was essentially one of disclosure and inspection to verify the disclosure. The Working Group believes that the term "census" is misleading unless it is understood to mean disclosure and a system of inspection to verify such disclosure.

8. It is the view of the Working Group that disclosure of the size and nature of armed forces and armaments as of a particular date on

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[9] On August 1, 1949, the Commission for Conventional Armaments adopted a working paper which provided for a census of conventional armaments and armed forces and verification of reported facts (U.N. doc. S/1372). The CCA transmitted this document to the Security Council on August 4, 1949. At its 452d Meeting, October 18, 1949, the Security Council failed to endorse the proposals contained in the working paper due to a Soviet veto. For text of the working paper approved by the CCA, see *Foreign Relations*, 1949, vol. I, p. 106.

[10] For information on General Assembly approval of proposals for international control of atomic energy, November 4, 1948, see footnote 7, p. 446. Endorsement of these proposals by the Security Council was prevented by a Soviet veto on June 22, 1948. For documentation on this subject, see *Foreign Relations*, 1948, vol. I, Part 1, pp. 311 ff.

a "one-time" basis and the subsequent verification of such disclosure would, in the light of the present world situation, no longer be meaningful unless it were undertaken as a step in a program of international regulation of armed forces and armaments. Such a program, if approved, would provide substantive measures to reduce tensions and increase stability in the world. The relationship between disclosure and regulation was recognized in the U.N. resolution in which disclosure and verification were linked with the regulation of armaments.

9. If the question of inspection to verify disclosure is considered as the first step in the implementation of a program for the regulation, limitation and balanced reduction of armed forces and armaments, it becomes apparent that the mere disclosure of the level and nature of armed strength on a particular date is inadequate. The system of disclosure and verification by a competent international authority must be on a continuing basis. In fact, a continuing system of disclosure and verification will be necessary in order to provide a body of information for use in the prolonged negotiations that will be required to complete the details of a plan after agreement on the principles for regulation, limitation and balanced reduction of armed forces and armaments has been reached. The Working Group feels strongly that, in present circumstances, such a system of disclosure and verification should not be undertaken except in this context.

### VI. THE RELEVANCE OF INSPECTION AND VERIFICATION TO BROAD PROPOSALS FOR THE REDUCTION OF TENSIONS

10. The U.S. is handicapped in negotiating with the U.S.S.R. by the disparity of armed forces and armaments in Europe. If the U.S. is in a position to make proposals with respect to regulation, limitation, and balanced reduction of armed forces and armaments, in which the initiation of a continuing system of inspection to verify disclosure is the necessary first step, then the U.S. could make concurrent proposals for acceptable solutions to such outstanding political problems as Germany and Austria. The proposals for specific political settlements would be conditioned upon agreement to such a plan for the regulation, limitation, and balanced reduction of armed forces and armaments.

### VII. THE NATURE OF A SYSTEM OF DISCLOSURE, INSPECTION AND VERIFICATION WHICH WOULD BE ACCEPTABLE TO THE U.S.

11. *Extent of the Disclosure.* The proposals already formulated in the U.N. provide for the extent of the disclosure of armed forces, including para-military and security forces, and the conventional armaments of such forces. There remain the questions of including police in the forces to be disclosed and of extending the disclosure to include atomic and

other weapons which have not been previously included under the existing U.N. proposals.

12. It is the view of the Working Group that police forces should be included in the disclosure and verification. The existing proposals supported by the U.S. in the United Nations already cover para-military forces subject to national control, such as border guards, internal security forces, militia and *gendarmerie* as well as reserve components of those forces in organized groups. Because of the nature of the Soviet system, police forces of all kinds must be regarded as part of its military forces and will have to be included in a system of disclosure and inspection, since it will be almost impossible to distinguish between police and the categories already covered in the U.N. proposals. The U.S. will suffer no disadvantage from the disclosure of its police forces even down to the municipal level, while the information which would be gained and disclosed about the police system in the U.S.S.R. would be of great value in exposing the forces required to perpetuate the Soviet system. Such a disclosure would in itself be a major alteration in the Soviet system.

13. With respect to atomic energy, the Working Group has consulted with the Atomic Energy Commission* and the intelligence agencies represented on the Joint Atomic Energy Intelligence Committee.*

14. The AEC has advised the Working Group that the U.N. Plan is the best plan yet developed for the regulation and control of atomic energy. Apart from a plan for regulation and control, however, the AEC believes that a system of disclosure and verification, "if it included rights of inspection comparable with those of the United Nations plan for control of atomic energy and if it were carried out in stages, could work to the advantage of the U.S." The Commission has also advised the Working Group that "if the census and verification were to be the first steps toward eventual control of atomic energy, it would be in our interest to have a system of inspection provide as high a degree of accuracy as possible with respect to atomic facilities, present production rates and capacity, and existing stocks of fissionable material", although there would be some advantage "to the U.S. from even incomplete information on important Russian production facilities." With respect to research and development activities, the Commission advised that it would appear to be neither desirable nor feasible to include them.

15. The Joint Atomic Energy Intelligence Committee . . . concluded that the U.S. should gain considerably from the inspection of mines, fissionable material production facilities and current weapon stockpile, but that as inspection becomes detailed, the U.S. would have

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*Those represented are the Departments of State, Army, Navy and Air Force, the Atomic Energy Commission and the Central Intelligence Agency. [Footnote in the source text.]

little to gain and the U.S.S.R. would gain important information from the technical point of view. The Committee also concluded, as did the Commission, that it would be neither desirable nor feasible to include research and development activities in a system of disclosure and verification.

16. *The Phasing of Disclosure and Verification.* As indicated above, it would be dangerous to the security of the U.S. to undertake the disclosure of information concerning its armed forces and armaments, including atomic, and to engage in a system of inspection to verify such disclosure unless the disclosure and the verification were phased in such a way that the U.S. would be protected in the event of a serious violation or a collapse of the system. The Working Group believes that one of the important advantages from a phased and continuing system of disclosure and verification is the opportunity over a period of time to test the good faith of the parties. The mere agreement to enter into such a system would give no assurance that the Soviet Union would actually carry it out in full or at all; thus the insistence upon completing each step of a phase before proceeding to the next would provide the U.S. with a safeguard on the exchange of information. At the same time, it would provide a continuing check on Soviet intentions. The U.S. cannot afford to assume that the Soviet Union would continue to live up to the agreement through all of its stages, but as the various stages were reached and passed the U.S. would have reason to increase its confidence in continued good faith. If the Soviet Union agreed to such a system of disclosure and verification and began to carry it out, a fundamental alteration would have been achieved which might eventually lead to profound changes within the Soviet Union.

17. With specific reference to atomic energy, the Working Group was advised by the Atomic Energy Commission that an orderly procedure for staging the disclosure and verification would "start first with raw materials, proceed to processing plants and facilities for producing fissionable materials and finally, if everything had worked out satisfactorily up to that point, include weapons and weapon fabrication facilities."

18. The Joint Atomic Energy Intelligence Committee recommended that, from an intelligence point of view, disclosure and verification be carried out in a somewhat different sequence because of the assumed technological superiority of the U.S. program.

19. The variance in staging suggested by the AEC and the Joint Committee was based largely on the realization by the Joint Committee that bad faith might halt the system at any stage and it would therefore be desirable to avoid the disclosure of any information not now thought to be known by the Soviet Union while at the same time acquiring as much information as possible not now known to the U.S.

The Working Group is not in a position to strike a balance between the advantages and disadvantages in the somewhat different staging suggested by the Atomic Energy Commission and the Joint Atomic Energy Intelligence Committee, but it does believe that the material submitted to the Working Group supports the view that a phased system of inspection of atomic energy programs is feasible.

20. Apart from the specific advice sought by the Working Group with respect to the inclusion of atomic energy, a number of general questions were submitted to the Central Intelligence Agency with respect to a system of disclosure and verification of armed forces and armaments, including atomic, to determine the accuracy that could be achieved and the protection which could be secured against bad faith in the course of implementing the system.

21. It was the view of the Central Intelligence Agency that the relative superiority of Soviet intelligence with respect to the armed forces and armaments of the U.S. is such that the U.S., in a phased system, would secure more valuable information than the U.S.S.R. in the initial phases, provided the U.S.S.R. were prevented from acquiring prematurely information intended to be withheld initially or not to be disclosed at all. It was the advice of the CIA that a system of disclosure and verification should include the Soviet satellites as well as the U.S.S.R. It was recommended that the system be so phased that in the initial phases the information disclosed by the U.S. should provide the U.S.S.R. with data which is largely known already or at least believed to be available to the U.S.S.R. The CIA has pointed out that the information already in the hands of the Soviet Union will permit them to pinpoint their inspection with far greater ease than will be possible for the U.S. Even where the U.S. has information which would assist it in an inspection, the source of the information may have to be protected and may present us with problems of utilizing the information in our possession. In general, the Central Intelligence Agency recommended that the phased disclosure should progress from generalized and less sensitive information to the detailed examination of processes and weapons, in short from quantitative to qualitative data, and that sensitive aspects of research and development in all fields, manufacturing processes and details of new weapons should be excluded entirely. Recognizing the difficulty of achieving in practice the desired results, the CIA pointed out that the difficulties, as well as the possibilities of surmounting them, will require extensive further study by the operating and intelligence agencies of the U.S. Government.

22. As a matter of tactics, and as evidence of U.S. good faith, together with its attendant value as propaganda, the Working Group feels that the U.S. should take the position that research and develop-

ment should be included in the very last stage of an agreed system or systems of control and inspection undertaken to implement a program for the regulation, limitation and balanced reduction of armaments and armed forces. In any event, the United States must be convinced, on the basis of performance in all of the earlier stages, of the good faith and complete cooperation of the other signatories before any implementation of this stage is undertaken.

23. The Working Group suggests on the basis of present data that such a system should probably begin with a count of police, security and para-military forces (including their reserve components) together with the type and amounts of their matériel in service and in reserve, and proceed to inspection of regular army, navy and air forces together with the types and amounts of their matériel in service and reserve. The subsequent stages would involve the disclosure and verification of other more sensitive fields (such as research and development) covered by the agreement.

24. The Working Group did not secure detailed information concerning the disclosure and verification of biological and chemical warfare activities. It was advised, however, that it would be practically impossible to detect biological warfare activities by an inspection scheme. The Working Group therefore wishes to call attention to this preliminary judgment as indicating a problem that would require detailed study in the event any plan for disclosure and verification were to be actually negotiated.

25. The conclusions and recommendations of the Central Intelligence Agency confirm the view of the Working Group that prolonged negotiations will be required in order to arrive at the precise provisions for a system of disclosure and verification in order to assure the U.S. that disclosure and inspection in any one stage will not involve the disclosure of data intended to be held out until a later stage. These conclusions and recommendations also seem to support the view of the Working Group that a public proposal for disclosure and verification, including atomic energy, can be made, provided it includes a requirement for carefully phased implementation of the plan. The details do not need to be advanced when the proposal is made.

26. The Working Group agrees that further study will be required before the details of a phased system of disclosure and verification can be determined, and believes that additional working groups should be established, composed of technically competent representatives of the intelligence and operating agencies of the U.S. Government, to conduct the careful and extensive studies which will be required for the development of detailed positions for use in any negotiations which may be undertaken in connection with the proposal for a system of disclosure and verification.

### VII. [VIII.] NET ADVANTAGE TO THE U.S. IN A SYSTEM OF INSPECTION TO VERIFY DISCLOSURE

27. The Working Group concludes on the basis of its detailed analysis of the problem and the advice it has secured from the Atomic Energy Commission and the Central Intelligence Agency that, on balance, a system of disclosure and verification of armed forces and all armaments within the framework of a program for regulation, limitation and balanced reduction would work to the advantage of the U.S. provided: (*a*) agreement could be secured with respect to the rights of inspection and the authority and privilege of the inspectors adequate to insure accuracy, and (*b*) agreement could be secured on a phased disclosure and verification which would withhold in the initial stages the most sensitive information intended to be disclosed only in the later stages and which, therefore, would be so devised that in the event of bad faith at any stage no serious harm would result to the U.S. upon the termination of the system. The Working Group concludes that, so long as these safeguards are explicitly stated in the principles included in any proposal for a system of disclosure and verification, the U.S. would be protected in the complex negotiations that would be required and in the application of the system itself. The Working Group does not believe that the difficulties of negotiation which will be encountered should prevent the U.S. from advancing a proposal for a continuing disclosure and verification of armed forces and armaments, including atomic energy, within the framework of a program for the regulation, limitation and balanced reduction of armed forces and armaments. In the unlikely event that the U.S.S.R. should agree to negotiate such a system of disclosure and verification, the Working Group concludes that the U.S. could develop a detailed system acceptable to the U.S.

### IX. THE PRACTICAL SCOPE OF A PLAN FOR REGULATION, LIMITATION AND BALANCED REDUCTION

28. The Working Group does not believe that any plan for the regulation, limitation and balanced reduction of armaments or the enforcement of such a plan should be developed on the assumption that there would be in existence an international force separate and apart from the national forces of the parties. The group believes it must be recognized that the existing system of sovereign states will continue for the foreseeable future and that in any plan devised the U.S. must rely, in the final analysis, on the willingness of the participating nations to continue the plan or on the capability and willingness of the U.S. and states cooperating with it to deal with violations if any occur.

### X. THE PRINCIPLES AND ELEMENTS OF A PLAN FOR THE REGULATION, LIMITATION AND BALANCED REDUCTION OF ARMED FORCES AND ARMAMENTS

29. *The Development of a Plan.* The Working Group believes that it will be impossible to complete the details of a plan for regulation,

limitation and balanced reduction of armed forces and armaments in advance of initiating the inspection and verification of the armed strength of the participants. Any eventual complete plan will have to be negotiated over a long period of time. It is possible, however, to suggest the principles on which such negotiations could be conducted and to define a variety of elements and factors which would affect the provisions for regulation and limitation and balanced reduction.

30. The Soviet Union has advanced a proposal for a flat percentage reduction of existing armed forces. This proposal is wholly unacceptable because it would merely perpetuate the existing disparity in level of armaments and armed forces, and consequently would not bring about a reduction of the tensions which arise therefrom. In order to deal with the Soviet proposal, it will be necessary to secure public understanding of the complexity of the problem and to make clear that the Soviet proposal avoids the vital question of imbalance. The nature of the Soviet proposal makes it essential for the U.S. to speak in terms of a *balanced* reduction. In short, before any general limitation or reduction can be carried out by the West, the Soviet Union and its satellites will have to reduce their total armed strength until the level of armaments between East and West is more nearly equal or the West will have to bring the effectiveness of its armed strength up to the level of the East.

31. *General Principles.* The U.N. Commission for Conventional Armaments has developed a number of principles applicable to a system of regulation and limitation of armed forces and armaments, but inherent in these principles is the idea of utilizing an international force to assure compliance with the program of regulation and limitation. As the Working Group has indicated, it believes that, as a practical matter, the existence of sovereign states makes it necessary to devise a program which does not depend upon the use of an international force but which recognizes that the only response to a violation by one of the parties will be the action taken by one or more of the other parties.

32. The Working Group is firmly of the opinion that a plan for regulation, limitation and balanced reduction must be such as to give prompt warning of an actual violation or even a serious threat of violation so as to permit other nations to take adequate measures for their self-protection. The safeguards provided must enable nations to recognize the danger inherent in an actual or threatened violation so that they will have an opportunity to take appropriate measures, including an increase of their military strength to offset a similar increase on the part of the violator. No system for regulation and limitation of armaments can be wholly fool-proof. Accordingly, the U.S. must not be lulled into a false sense of security, and the national

leadership must be determined and vigorous in order to meet the dangers which will exist if a violation occurs.

33. The foregoing analysis leads to the conclusion that we cannot expect an international force capable of assuring compliance with a program for regulation, limitation and balanced reduction to be available. Accordingly, the plan developed must not involve for the foreseeable future the balanced reduction of existing armaments to that level which the mere maintenance of internal security would require.

34. The following are the principles which the Working Group believes to be essential as the basis for the program of regulation, limitation and balanced reduction which it proposes:

*a*. The program must be open for adherence to all states and initially it must include at least those states whose military resources are so substantial that their absence from the program would endanger it. In any case, participation could not be limited to the U.S., U.S.S.R., U.K. and France and still provide an adequate degree of national security;

*b*. With respect to the control and regulation of atomic energy it would be necessary to secure agreement on the U.N. plan, or some no less effective plan;

*c*. The limitation of armed forces and armaments must be carried out under an agreed system of regulation and inspection, and the implementation must be phased in such a manner that will protect the security of the participating states at each stage;

*d*. It would be essential to secure agreement on necessary safeguards which would technically be feasible and practical. Such safeguards would have to provide for the prompt detection of the occurrence of violations, while at the same time causing only the necessary degree of interference with the various aspects of the life of individual nations;

*e*. In the case of armed forces and non-atomic weapons, the inspection and other mechanisms required as safeguards should be conducted under an international authority vested with the necessary status, rights and powers; and

*f*. With respect to atomic energy, the control and inspection required as safeguards would be conducted in accordance with the U.N. plan or a plan no less effective.

35. Under the foregoing principles the plan developed would not be directed to the end of total national disarmament and would not envisage reliance on an international force to prevent aggression. Instead, the plan would be directed toward a reduction in the existing level of national armed forces and armaments, and thereby a reduction in tensions and an improvement in relations between nations. The plan would call for the limitation and balanced reduction of armed forces and armaments to a level which would decrease substantially the possibility of a successful initial aggression and thereby increase the chances that armed aggression would not be resorted to in furtherance of national objectives. If armed force can be so limited that resort to its use as an instrument of national policy would be much less likely, the

conflict between the intentions of the West and the Soviet Orbit might be resolved through other means.

36. In its analysis of the problem, the Working Group considered those elements of national strength which in some degree or other contribute to the expression of national power in the form of armed forces. Initially, it was thought that a study of these elements, such as Position, Area, Geography, Length of Seacoasts, Length of Borders, Frontiers Protected by Natural Barriers, Agricultural Base, Population, Natural Resources, Internal Communications, Industrial Plant, Technological Skills, University System, and many others, might lead to an acceptable formula for negotiating the limitation of armed forces and armaments. However, since nations differ radically in population, size, geographical situation, national wealth, national character, and in numerous other ways, consideration of these elements led to such a maze of complexities that an effort to work out a definite formula had to be abandoned. Such elements may, however, be appropriate subjects of discussion in any negotiations toward an acceptable plan. The Working Group concluded that the exact manner of regulation or the exact nature of the limitation which the eventual plan would contain could only be developed through extensive negotiations. Nevertheless, there could be suggested as examples certain specific criteria which might be found to be acceptable in the course of detailed negotiation of the program. Some of the criteria appear to be:

*a. Over-all Size of Armed Forces.* The size of the armed forces to be permitted each country under the plan will have to be agreed on, and size should bear a relationship to population. This factor alone, however, cannot be controlling and if a percentage of population is adopted, it would also be necessary to set a ceiling so that no nation could have a great preponderance. If, for example, the percentage adopted were 1% of the population but the ceiling for any country were one million, the Soviet Union and Communist China would together have two million men in their armed forces and the U.S., U.K. and France would have approximately the same number.

*b. Use of Natural Resources and Industrial Potential.* It may be undesirable to permit the unlimited use of resources and industrial potential for military purposes under a plan for limitation and balanced reduction. Therefore, it might be advisable to restrict the portion of national production which can be so used. The production of armaments should bear a direct relation to the amount needed for the armed forces permitted under the plan, and it may be that there should also be a ceiling which it might be possible to express in terms of percentage of the national product; for example, 5% as contrasted with the much higher percentages today. Such a criterion based upon a percentage would require extensive verification because of the difficulty of securing comparable data.

*c. Mutually Agreed Programs within the Over-all Limitations.* It would not be enough to agree merely on over-all criteria, since the composition of permitted national armed forces and armaments would also have a direct bearing on the effectiveness of the plan. For example, no

nation could reasonably propose to concentrate its total permitted force in heavily armored ground divisions or entirely in the form of a strategic air force. The requirement of mutually agreed programs within the over-all limitation would provide a means of securing a balanced reduction.

Annex "B"

## The Existing Level of Armed Forces and Armaments in Relation to the Causes of International Tensions in Europe

At VE Day, in 1945, the U.S. had ground forces of over six million men, four million of whom were in the European and Mediterranean Theaters. The French and British ground forces in Europe, the Middle East and Africa on VE Day totaled nearly 3½ million. When the war in Europe ended, the U.S.S.R. had five million men in its ground armies.

These massive forces, together with air and naval power, had accomplished the defeat of the Axis Powers in Europe, and a few months later Japan surrendered. The world looked forward to peace, and in the West the nations rapidly demobilized and sought to turn again to peaceful occupations. In the Soviet Union, however, enormous forces were maintained, and in the first years after World War II these forces, many of them stationed outside the Soviet borders in Europe, were used by the U.S.S.R. to threaten and dominate the Eastern European nations.

Repeated efforts were made by the West, both in the United Nations, in meetings of the Council of Foreign Ministers and in other ways, to secure the adherence of the U.S.S.R. to the provisions of the U.N. Charter and to the principles which normally govern relations between friendly countries.

It became increasingly apparent that the Soviet Union intended to use the threat of overwhelming force to further its political and ideological objectives of controlling and subjugating the remaining free members of the European community, and eventually the world.

When in April 1949, the United States, Canada and nine other nations signed the North Atlantic Pact,[11] the danger to the North Atlantic Treaty nations from the Soviet's pursuit of its objectives by the threat of its armed strength in being was clear and present. The U.S.S.R. had armies of half a million men stationed outside the Soviet borders in Europe. It had armies of two million more within its borders and another half million of security troops for the maintenance of its system over its own people and those of its satellites. And, in addition to its own armies, it had available in its Eastern European satellites, armies of another million men to do its bidding.

[11] For text of the North Atlantic Treaty, signed at Washington on April 4, 1949, see *Foreign Relations*, 1949, vol. IV, p. 281.

The peace treaties with Hungary, Rumania and Bulgaria had been violated to provide these forces, and a marshal of the Soviet army commanded the Polish troops.

In 1949 there were 600,000 men in the Soviet Air Force, 60,000 of them stationed at air bases in East Germany and the Eastern European satellites.

Against these massive forces, in 1949, the United Kingdom and France had ground forces in Europe of only half a million men and the total ground forces of the United States, both at home and abroad, consisted of only a little more than another half million. In air forces, the U.S., U.K. and France had 300,000 men (or half as many men as the U.S.S.R.) stationed in Europe and the Mediterranean, and the rest of the North Atlantic Treaty Organization (NATO) countries had air forces totalling only 50,000 men. Under these circumstances, it is absurd to argue that the great, vast Soviet Union was under any danger as a result of the level of armaments in the West. In fact, the disparity was so great the other way, and this only a short time after the common victory in Europe, that self-defense required the nations of Europe and the United States and Canada to look to their immediate safety. They have tried to do so under the North Atlantic Treaty.

When the ruthless aggression occurred in Korea in the summer of 1950 [12] the efforts of the West to repair the balance had only begun. But the very boldness of this action demonstrated to the non-Soviet world that it could not afford to delay an increase in its own strength. In the past year, the people of the free nations have turned to the task of redressing the balance with vigor and determination. They will continue to do so until their security is protected against the Soviet and European satellite armed forces, which now total nearly six million men. Of these the U.S.S.R. has ground forces of 1½ million stationed in the Soviet Union west of the Urals and, together with its satellites, another 1½ million in Eastern Europe. The Soviet Air Forces in Western Russia and Eastern Europe comprise 600,000 more.

The members of the North Atlantic Treaty Organization have less than a million men in their armies on the European continent and in the United Kingdom, and, in their air forces in the area, half as many men as the U.S.S.R.

If the Soviet Union would look at the world as it is, rather than as it appears through the distorted lenses with which they view it, they would cast aside the groundless pretense that they are threatened with aggression from the West. At any time since the end of World War II the Soviet Union has had it in its power to demobilize its huge forces and spare its own people and the rest of the world the burden of huge armaments and armies. No one outside the Kremlin provoked the

[12] For documentation on the outbreak of the Korean War, see *Foreign Relations*, 1950, volume VII.

U.S.S.R. into its present posture of excessive military strength. Its posture is of its own making, and until it decides to forego its desire for world domination and the use of massed, armed might as an instrument of that policy, the free world has no alternative but to meet the challenge by its own defense efforts.

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S/S-NSC (Miscellaneous) Files, Lot 66 D 95,[1] NSC 112 Series

*Memorandum by the Deputy Director of the Policy Planning Staff (Ferguson) to the Secretary of State*

TOP SECRET [WASHINGTON,] July 17, 1951.

Subject: NSC 112, "Formulation of a United States Position with Respect to the Regulation, Limitation and Balanced Reduction of Armed Forces and Armaments."[2]

1. The report of the State–JCS Working Group on this subject was forwarded by the Secretaries of State and Defense to the NSC for consideration.[3]

2. It is desirable for the United States to maintain its leadership and initiative on this matter in the United Nations and it may be desirable to include disarmament proposals in connection with other proposals for the solution of East-West problems in Europe and Asia. A third reason for prompt consideration is the possibility that the U.S.S.R. may put forward proposals of its own for which we should be prepared.

3. The report being considered by the Council suggests that the existing United States position on census and verification which involves a "one shot" census and verification of conventional armaments is inadequate and that the United States should support a continuing system of disclosure and verification of all armed forces and armaments to be carried out in stages. Such system of disclosure and verification should be the first step in a program for the regulation, limitation and balanced reduction of all armed forces and armaments.

4. The phased system of disclosure and verification and the subsequent phased regulation, limitation and reduction should be carried out in such a manner that if a violation occurs at any time the United States and countries cooperating with it will be in a position to deal with such violations themselves, since it is assumed that the United States cannot depend on the existence of an international force separate and apart from national armed forces in the foreseeable future.

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[1] Lot 66 D 95 consists of administrative and miscellaneous National Security Council documentation, including NSC records of action, as maintained by the Executive Secretariat of the Department of State, for the years 1947–1963.

[2] *Ante*, p. 477.

[3] Regarding National Security Council action on July 18 respecting NSC 112, see footnote 4, p. 478.

5. The program for regulation, limitation and balanced reduction would include the present United Nations plan for control of atomic energy, or one no less effective.

6. The program for regulation, limitation and balanced reduction, of which disclosure and verification would be the first step, would be open for adherence to all states and initially it must include those states whose military resources are so substantial that their absence from the program would endanger it.

7. In preparing its report the State–JCS Working Group consulted the Atomic Energy Commission and the Central Intelligence Agency. It was recognized in recommending such a program for regulation, limitation and balanced reduction that it would be necessary to assume, even if the program were accepted by the Soviet Union, that the Soviet Union might at any time show bad faith in its implementation. Since the United States would have to rely on its own resources and those of the countries cooperating with it to deal with violations, it was also recognized that the details of the program, including the phased disclosure and verification provisions, would require the most careful preparation by technical experts, and it is therefore recommended in the report that an interdepartmental group of such experts proceed with the development of detailed negotiating positions for use in the event that the Soviet Union indicates a willingness to discuss such a program.

JOHN H. FERGUSON

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330.11/7–2651

*Memorandum of Conversation, by Mr. Bernhard G. Bechhoefer of the Office of United Nations Political and Security Affairs* [1]

TOP SECRET [WASHINGTON,] July 26, 1951.

Subject: Committee of Twelve—
Meeting in Mr. Hickerson's Office, 10:15 AM, July 26, 1951

Participants: Mr. John D. Hickerson, Department of State
Mr. C. E. Steel, Minister, British Embassy
Mr. J. G. Boyd, First Secretary, British Embassy
Mr. Frank Nash, USUN
Mr. Bernhard G. Bechhoefer, Department of State

MR. HICKERSON recalled that the Committee of Twelve had already had four meetings, and a fifth would take place next Tuesday.[2] The United States had submitted a proposal calling for a merger of the International Atomic Energy Commission and the Commission for

[1] The source text was initialed by John D. Hickerson, Assistant Secretary of State for United Nations Affairs.
[2] July 31.

Conventional Armaments.[3] He had the feeling that the UK Representative was inclined to drag his feet somewhat in the Committee, and sensed that the reason for this attitude was the fear that the United States had some objective beyond the procedural proposal. Mr. Hickerson stated that the initiative in this matter last fall had come from the White House and that at that time the Department had had no plans whatever on this subject. Since then, the United States Government had done considerable thinking on the general subject of regulation of armaments and might in the future wish to submit substantive proposals on the subject. Any substantive proposals, however, would be unrelated to this procedural proposal, excepting that it would be easier to submit the proposals to a combined Commission, since they involved both conventional arms and atomic energy. The United States program was still very tentative, and no decisions had been made as to the forum where the proposals would be made, or even that the proposals would be made at all. Prior to making any proposals, the United States would consult with the UK and with a number of other States, and there would be full opportunity for exchange of ideas.

Mr. Steel stated that the British Foreign Office had likewise done some planning on the substantive issue of regulation of armaments and atomic energy, and had a number of ideas which likewise were tentative. Mr. Steel stated that the UK planning was designed primarily to wrest from the Soviet Union the propaganda advantages of their peace movement. He asked whether the United States program implied any change in fundamental attitudes towards the Soviet Union.

Mr. Hickerson replied that while the United States would be happy if its proposals were accepted by the Soviet Union, he did not think that there was one chance in a thousand that the Soviet Union would accept the proposals. Mr. Nash amended the odds to one chance in a million. Mr. Hickerson stated that the United States was in general thinking along the same lines as the UK.

Mr. Steel indicated that on the subject of the procedural proposal in the Committee of Twelve, the British view was substantially the same as that of the United States. However, the British did not assign a high priority to this question, and for this reason, there had doubtless been delay in the UK Delegation securing its instructions.

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[3] Reference is to U.N. doc. A/AC.50/1, "General Views of the United States with Respect to the Coordination of the work of the Atomic Energy Commission and the Commission for Conventional Armaments," a working paper dated May 17, 1951, and submitted to the Committee of Twelve on May 25; for text, see Department of State, *Documents on Disarmament, 1945–1959*, 2 vols. (Washington, Government Printing Office, 1960), vol. I, pp. 271–273. For text of the statement by Frank C. Nash, Deputy U.S. Representative before the Committee of Twelve on May 25 and the text of the working paper, see Department of State *Bulletin*, June 18, 1951, pp. 991–993.

Disarmament Files, Lot 58 D 133 [1]

*Memorandum by the Assistant Secretary of State for United Nations Affairs (Hickerson) to the Director of the Policy Planning Staff (Nitze)*

TOP SECRET [WASHINGTON,] July 31, 1951.

Subject: S/P Draft Memorandum on "Manner of Advancing Disarmament Proposals on the Basis of NSC 112" [2]

I have one major comment on the subject paper. I believe that it is inadvisable for the United States to take the position that it is necessary to come to an agreement on the treatment of Germany and Japan as a prior condition to United States participation in a general program for the regulation and reduction of armaments and armed forces. This concept is set forth throughout the draft paper, particularly on pages 3 and 5–10.

The reasons for my conclusion can be briefly stated as follows:

1. The purpose of developing United States proposals for a system of regulation, limitation and balanced reduction of armaments and armed forces is stated in NSC 112 as follows:

> "The purpose of this study is the establishment of a foundation upon which positions may be built which would, if accepted by the Soviet Union, be acceptable to the United States or, if rejected by the Soviet Union, be advantageous to the United States and the Western powers for their propaganda value."

Since there is not one chance in a thousand that the Soviet Union will accept the proposals, their chief purpose is certainly their propaganda value. By establishing conditions precedent in the ways advocated in the subject paper, we are surrendering the propaganda battle in the field of regulation of armaments to the Soviets, who will claim that we do not really wish to carry out the proposals we advocate speciously since we attach impossible conditions precedent to our proposals. The USSR will say, as they have in the past, that they have advocated and continue to press for simple and direct disarmament proposals without linking these to other problems.

2. The draft paper recognizes the risk of war in the next two years, while we are rebuilding our armed strength, but deprecates the possibility that the very fact of making proposals in the regulation of armaments field may lessen the risk of war during this period. I believe that we would gain substantially in terms of a negotiating device if we can make our proposals in such a way that the Soviets cannot summarily reject them because conditions precedent have been laid down before they can be considered.

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[1] Consolidated collection of documentation in the Department of State on the regulation of armaments and disarmament for the years 1942–1962.

[2] The subject draft, dated July 26, is not printed. For a memorandum prepared by the Policy Planning Staff titled "Manner of Advancing Disarmament Proposals," which was transmitted to British representatives on August 20, see p. 515.

3. NSC 112 postulates that there are definite advantages which the United States could realize from the disclosure of forces and armaments if, as seems unlikely, the USSR should accept the U.S. proposals. These advantages exist independent of prior conditions. Are they not sufficient to warrant the United States making the proposals without attaching prior conditions which give the USSR a perfect excuse for rejecting the proposals and for gaining propaganda advantages by so doing?

I suggest that a preferable formula for the relationship of German and Japanese peace treaties to the program of regulation of armaments would be along the following lines:

(*a*) The field of regulation and control of armaments is one of many areas of conflict between the USSR and the West.

(*b*) We cannot expect to carry out proposals which we may make in the armaments field without making progress in the other areas of tension between the Soviet Union and the West.

(*c*) However, we should advance proposals for the regulation and control of armaments in such manner as to make clear that, while advanced separately, they are linked to simultaneous progress in other fields—notably the completion of peace treaties for Austria, Japan and a unified Germany.

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600.0012/8-951

*Memorandum of Conversation, by the Special Assistant on United Nations Affairs, Bureau of European Affairs (Allen)*

TOP SECRET [WASHINGTON,] August 9, 1951.

Subject: Disarmament

Participants: Mr. Boyd, First Secretary, British Embassy
Miss Salt, First Secretary, British Embassy
Mr. Allen—EUR

The UK representatives called today to deliver the attached *Aide-Mémoire* and UK Cabinet paper on this subject.[1] Regarding paragraphs 3 and 4 of the *Aide-Mémoire*, I stated that we likewise had reached no conclusion as to the forum, timing, or conditions of any affirmative proposals or suggestions on disarmament, and that I was sure that we agreed that the work of the Committee of Twelve should not prejudice any such decisions. In response to Mr. Boyd's observation that apparently the UK does not contemplate discussions with any other government at present, I suggested that it nevertheless would seem desirable to discuss the matter with the French Government at an early date because of both their interest and their sensitivity. Mr. Boyd agreed.

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[1] *Infra.*

It was agreed that as soon as the US had comments to offer on the UK paper or suggestions of our own to put forward, we would get in touch with the Embassy.

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600.0012/8-951

*The British Embassy to the Department of State*

TOP SECRET

Ref: 11974/3/51G

AIDE-MÉMOIRE

There have been recent conversations between officials of the State Department and the British Embassy on disarmament.

2. There is attached, for the secret information of the State Department, a copy of a paper resulting from an interdepartmental study of this subject at the official level in London. It would be appreciated if this could be returned as soon as possible to the British Embassy as it is the only one available here.

3. His Majesty's Government still have under active consideration the question as to the best forum in which to launch any concrete proposals on disarmament which may be agreed, but have reached no final conclusion on this point. They are, however, of the opinion that neither the Committee of Twelve on Disarmament at present in session in New York nor any joint Commission which might be set up as a result of its recommendations would be suitable. The need to take account of the forces of Communist China is an important consideration. Further it would clearly be advantageous to reserve any proposals on this subject for a more impressive occasion, such as a Four or Five Power Meeting or the opening session of the General Assembly.

4. Since, however, the proposals have a bearing on the work of the Committee of Twelve it is important that nothing should be done in that Committee's discussions which would be a hindrance to discussions in another forum, or to force His Majesty's Government or other friendly powers to reveal their position prematurely. It is therefore hoped that in the meantime and pending further discussions between officials, the United States representative on the Committee will refrain from putting forward any proposal to which the attached paper indicates serious objection.

5. So far as safeguards are concerned, His Majesty's Government have, after careful study of the United States proposals set out in Security Council Document S/C.3/43 of 9th August 1950,[1] come to

[1] Document S/C.3/43, a progress report by the Working Committee of the Commission for Conventional Armaments, is not published. However, four working papers submitted by the United States and included in the progress report, papers to which the present reference is directed, appear in *Documents on Disarmament, 1945–1959*, vol. I, pp. 233–239 and 240–248. For additional documentation on the work of the CCA, see *Foreign Relations*, 1950, vol. I, pp. 1 ff.

the conclusion that such a comprehensive system of inspection would be unacceptable to the United Kingdom, since it would involve an undue degree of interferences in national life and the disclosures of *secret* industrial processes. United Kingdom support for the majority proposals for the control of atomic energy, which include a rigorous scheme of inspection, cannot therefore be taken to imply support for the extension of a similarly rigorous scheme to the field of conventional armaments.

6. It should also be emphasized that the attached paper has been based on the assumption that atomic weapons would be simultaneously brought under international control on the lines outlined in the majority proposals endorsed by the General Assembly. His Majesty's Government would welcome an assurance that the United States Government still adhere to that plan, since otherwise it would clearly be necessary for His Majesty's Government to reconsider their entire position.

7. In conclusion it should be repeated that the attached paper cannot be taken as committing His Majesty's Government in any way at this stage. It is put forward as a possible basis for secret discussions on the official level with State Department representatives, for study and comment in the light of a similar study which it is understood has been independently undertaken in Washington. It is hoped that by means of a free interchange of opinions identity of view may be reached on the question of positive disarmament proposals which might be put forward by the Western Powers.

8. Since no copy of the document has in the meantime been communicated to the representatives of any other Government, observation of strict secrecy in regard to these discussions and the contents of the attached paper is of the utmost importance.

WASHINGTON, 9th August, 1951.

[Annex]

*Report by the Official Committee on Disarmament of the United Kingdom*

TOP SECRET

DISARMAMENT

Between 9th May and 13th July, 1951, we held a number of meetings to consider the present level of world conventional armaments and armed forces with the aim of :—

(*a*) Recommending the best possible proposals which the Western Powers might put forward to the Soviet Union at Four-Power Talks

in order to find a means of dealing with the problem of the limitation and control of such armaments and armed forces: and

(*b*) considering possible proposals which the Soviet Government might put forward and the way in which the Western Powers might meet such proposals.

2. One of the items on the agenda for the projected Four-Power Conference, which was proposed by the Western Governments, was:—

The existing level of armaments and armed forces and measures to be proposed jointly by the U.S.S.R., United States, United Kingdom and France for the international control and reduction of armaments and armed forces.

During the period in which we were in session, the preliminary Four-Power Conference in Paris broke down and the likelihood of a Four-Power Conference was reduced. However, it is possible that recent events in Korea may result in a Four- or Five-Power Conference being held later in the year. Apart from the Western Governments' initiative referred to above, the question of disarmament and the limitation of armaments would be bound to be raised in any such talks. Moreover, it is essential that the United Kingdom Government should decide on its policy towards the problem, which is of major political importance in view of both the feeling in this country on the subject and the important part which proposals relating to disarmament play in Soviet "peace" propaganda.

3. The analysis which this report contains is concerned with the Soviet Union and the three Western Powers: the United Kingdom, France and the United States. No account was taken of the other North Atlantic Treaty Powers and their colonies and the Commonwealth countries on the one hand or of the satellite States on the other hand, since these were not to be represented at the Four-Power Conference and there was not so large a difference in the military potential represented by these two groups as seriously to affect the balance of forces between the Soviet Union and the three Western Powers. China has not been regarded as a satellite and her armed strength has been taken into account in arriving at the conclusions set out in the Report.

REALISTIC PROPOSALS

4. We began our examination of the disarmament problem with the intention of putting forward realistic proposals which would stand some chance of being accepted by the Russians and which we ourselves could feel we could implement in the event of an improvement in the international situation. We considered a number of schemes, of which the most important were:—

(*a*) *The possibility of prohibiting or limiting the size of certain kinds of armaments.*

We examined this possibility in the light of pre-war attempts along the same lines but were forced to conclude that we could add nothing to the view expressed by the Chiefs of Staff in 1947 that any agreement which limited the ability to construct the best equipment within those classes of armament which were not prohibited would destroy the technical advantage we possessed of brain-power lead over other nations. Moreover, the limitations likely to be imposed would in most cases be unfavourable to us, as was the case in the Naval Treaties, when our requirements for ships to meet world wide commitments placed us at a disadvantage in some respects vis-à-vis other nations who had built for limited commitments only.

(*b*) *Collective parity between the Soviet Union and the three Western Powers.*

This was the solution which appeared most likely to be acceptable to the Russians and also one which would commend itself to the neutral observer. From the point of view of the United Kingdom and France it would be open to the grave objection that the greater part of the United States forces would be stationed in peace-time on the other side of the Atlantic, so that parity would mean a heavy preponderance in Europe in favour of the Soviet Union. Parity between the Soviet Union and the three Western Powers would also fail to take any account of the threat to the security of the Western Powers which the Chinese forces would represent. We found, moreover, that it would be objectionable as serving to emphasize the division of the world into two blocs and that it would involve serious difficulties in the discussion of equivalence.

(*c*) *Balancing the forces of the Soviet Union and the Western Powers while allowing to each side its requirements for internal security purposes.*

The idea behind this approach was that the Soviet Government needed substantial forces for internal security purposes. It might be therefore that, even if the Soviet Government had more men under arms than the Western Powers, the striking force available to the former would be no greater. It was found, however, that the number of divisions which the Joint Intelligence Committee estimated was required by the Soviet Government for internal security purposes was so large as to constitute an intolerable threat to the Western Powers in the event of the Soviet Government deciding to use even a small part of them for aggressive purposes.

(*d*) *Limitation of expenditure on armed forces to a percentage of the national income or a percentage of the budget.*

We decided that such an approach would not yield any useful results. Even in the case of the United Kingdom, estimates of the national income are stated in official publications to be "subject to a very wide margin of error" and it is probable that in the case of the Soviet Union the essential statistics are altogether lacking. Owing to the rouble being a purely internal currency there is no effective rate of exchange which would enable rouble prices to be compared with pound or dollar prices. National incomes fluctuate from year to year. As far as national budgets are concerned, these do not afford a basis for the comparison of military expenditure owing to the fact that quite different systems of accounting and presentation are in use. Even the introduction of standard systems would not overcome the practical difficulty that equal sums of money, expended by different governments on military organisation and defence give completely different results. Many services, such as the construction and maintenance of airfields, barracks and arsenals are regarded as military expenditure in some countries and as civilian production in others.

(*e*) *Disarmament by Stages.*

We also examined the possibility of disarming by stages, but we found that this involved the same difficulties as in the case of the schemes discussed above, both from the point of view of safeguards and from that of arriving at overall levels of effectives.

5. At this stage we took into account the fact that, if there were any hope of disarmament proposals being implemented, they would have to be:—

(*a*) acceptable to the Russians or, at any rate, provide a workable basis for negotiations with them; and

(*b*) compatible with the minimum national security requirements of the United Kingdom, France and the United States.

It would also be highly desirable that they should:—

(*c*) result in a substantial measure of disarmament on both sides.

6. The examination of the above schemes convinced us that it would be impossible to devise any proposals which would fulfill all these conditions.

POSSIBLE PROPAGANDA LINE

7. We then considered whether it would not be possible to evolve proposals which, while they would almost certainly be rejected by the Russians, would appear to the rest of the world to be reasonable ones and would be of such a nature that we could ourselves always implement them in the unlikely event of their being accepted. We therefore examined:—

(*a*) *Limitation of Armed Forces to a Percentage of the Population*

From a propaganda point of view the most satisfactory figure is 1 per cent., which is simple and straightforward, but it would only give the United Kingdom an overall figure of 507,000 and this would be insufficient to meet normal peacetime requirements. Since the combined figures for the three Western Powers would be 2,434,000 as opposed to a Soviet figure of 2 million, this difficulty could be overcome by making adjustments as between the three Western Powers. It would then, however, be open to the Soviet Government to make similar adjustments in the event of the population percentage formula being extended to apply to the armed forces of other Powers. From the point of view of the actual figures produced, the most satisfactory percentage would be 1½ per cent. This would result in Soviet armed forces of 3 million and Western forces of 3,651,000 made up of United Kingdom 760,500, France 630,000 and United States 2,260,500. Nevertheless the Soviet Union would (as in the case of paragraph 4(*b*) above) still have a large preponderance in Europe, and China would be entitled to maintain armed forces amounting to 6,945,000 in the event of the formula being extended to other Powers—an extension which it would be difficult to resist.

POSSIBLE FIVE-POWER BASIS

8. We found that it was impossible to produce even propaganda proposals on a Four-Power basis, as these left China out of account. Although there might be room for some difference of opinion as to the extent of the military threat which was represented by the Chinese forces, there was no doubt that even the appearance of failing to take them into account would have a disastrous political effect in South-East Asia and would be unacceptable to Australia and New Zealand. Moreover, the three Western Powers had commitments in the Middle and Far East, which had to be met from any agreed level of armed forces: some of such commitments had to be balanced against Chinese Forces. We therefore considered what proposals we could put forward on a Five-Power basis.

(*a*) *Collective Parity between the Soviet Union and China on the one hand and the three Western Powers on the other.*

The only method which we could suggest of overcoming the difficulty represented by the existence of a large Communist China was to seek a Five-Power rather than a Four-Power Agreement and to aim at an overall parity between the Eastern and the Western Powers. From the point of view of the United Kingdom it was important that the agreed figures should neither be so high as to impose an intolerable strain on the economic and social structure of the country nor so low as to prejudice the maintenance of forces' technique and the ability to

expand rapidly in the event of the agreement breaking down. It would therefore be best to propose actual figures for the armed forces of the principal Powers, as was done on a former occasion by the United Kingdom delegation to the Disarmament Conference at Geneva. The requirements of the United Kingdom could best be met by the following figures:

| | |
|---|---|
| Soviet Union | 1,500,000 |
| China | 1,500,000 |
| | 3,000,000 |
| United Kingdom | 750,000 |
| France | 750,000 |
| United States | 1,500,000 |
| | 3,000,000 |

The present forces of the United Kingdom are 813,000, rising to 864,000 in June 1952. The figure proposed would give us some measure of relief but would be adequate to meet our normal peace-time security requirements in the territories for which we are responsible and to maintain forces' technique. France only expects to reach 735,000 in June 1952, so that it would mean that France would have to take a rather larger share of the burden of European defence than she is at present planning to do. It would mean large reductions in the American forces which will rise from 2,740,000 now to 3,594,000 in June 1952; in the Soviet forces which are at present believed to be 4,400,000; and in the Chinese forces which are at present believed to be 2,600,000. It would result in parity between the Soviet Union and the two Western Powers in Europe and would in theory permit the withdrawal of the United States forces from Europe. In practice this might not be so because of the commitments of the United Kingdom and France in other parts of the world. On the other hand, the Soviet Union also has to maintain a part of its forces in the Far East. This approach would in our opinion offer the best line from a propaganda point of view since, although it is unlikely that it would be acceptable to the Soviet Government, it is simple and straightforward and inherently reasonable. It does, however, suffer from the defect, common to any disarmament proposals based on first-line strengths, that such proposals are misleading to the extent that they do not give the whole picture. This is particularly serious in dealing with the Soviet Union, where the reserves of trained man-power, of which we are unable to estimate the size, must be enormous.

SAFEGUARDS

9. Bearing in mind the fact that the Chiefs of Staff are firmly of the opinion that any system of disarmament must be safeguarded by a system of verification and inspection, we considered whether it were

possible to arrive at a limited system of safeguards which would be adequate to ensure that disarmament agreements were being carried out, but which would not involve the disclosure of our own forces beyond the limited which the Service Departments were prepared to accept on a reciprocal basis and which did not involve such close supervision as to constitute an intolerable degree of interference in national life. We came to the conclusion that only a very approximate check could be kept on effective personnel, even less on reserve personnel and virtually none on stocks of armaments and equipment, of installations or of potential. In particular, we found that, though some check could be made to verify the reports submitted by the examined country, only the most rigorous supervision could provide reasonable security that unreported armaments did not exist. For this reason we were unable to find any alternative to an inadequate system of inspection, with all the dangers that that entailed, except in a full control on the scale proposed in the Majority Recommendations of the Atomic Energy Commission of the United Nations.

10. We nevertheless decided that there would be propaganda advantage in proposing that the basic training establishments of the Four Powers should be opened to inspection. (Any inspection of other forms of training would reveal the trend of technical developments, but the Western Powers would also presumably be prepared to submit to the inspection of pre-military units, such as the cadet forces, and of the police, to ensure that they were not of a para-military nature.) If the proposal were rejected by the Soviet Government, their action would constitute evidence that they had no intention of permitting a system of inspection on their territory, without which there could be no effective safeguards in the event of an agreement to reduce or limit armaments; if they agreed, it would involve the inspection of military establishments in many parts of the Soviet Union since the Soviet Government could scarcely maintain that basic training was not carried out locally. The proposal could be justified on the grounds that the intake of such establishments provides a certain check on the total number of effectives without furnishing information regarding the armaments or methods of training which neither party could, in the present state of international relations, be expected to divulge. A declaration, accompanied by verification, of the present level of effectives is, as has already been suggested by His Majesty's Government, a means by which some measure of confidence may be established and the ground prepared for some far-reaching proposals.

POSSIBLE SOVIET PROPOSALS

11. In considering what proposals the Soviet Government were most likely to put forward and how they might best be met, we felt that the proposal of an overall cut of 33⅓ percent, made by M. Vishinski

in Paris in September 1948,[2] was quite likely to be put forward again. We recognised that, in the changed circumstances of 1952, the Russians might realise they had less to gain from such a proposal and might substitute something different. Nevertheless we had to work on the basis of the only recent Russian ideas on the question of disarmament of which we were aware. The percentage cut proposal was rejected on the grounds that it would perpetuate the existing preponderance of the U.S.S.R. over those states which had disarmed after the war, that it invited the Western Powers to sign a blank cheque without any knowledge of the existing position and that it contained no guarantee that the U.S.S.R. would accept a satisfactory system of inspection. These objections still hold but, *assuming that the U.S.S.R. is not also increasing its armed forces*, there will be a substantial preponderance in favour of the Western Powers by mid-1952. We do not, however, consider that even then it would be to the advantage of the United Kingdom to accept, or themselves to put forward, the proposal to impose a percentage cut since the greater part of the increase between now and mid-1952 will be in the United States forces. The imposition of a 33⅓ percent cut in mid-1952 would leave the United Kingdom with 576,000* men, France with 490,000 men and these, with such United States forces as were stationed in Europe, would be opposed to Soviet forces of nearly 3 million. There is no prospect of rectifying this disparity without reaching some form of agreement which results in a more than proportionate reduction in the forces of the Soviet Union, since the size of the forces which England and France can maintain is limited not only by the size of their populations but also by their economic strength. The disparity would also apply whatever figures were taken for a percentage cut and could only be rectified by a decision to station a large proportion of the United States forces in Europe.

GENERAL CONCLUSIONS

12. Even in the period 1920–30 when the Western Powers felt themselves much less threatened than they do today and when interna-

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[2] On September 25, 1948, Andrey Y. Vyshinsky, Deputy Foreign Minister of the Soviet Union and Chairman of the Soviet Delegation to the Third Session of the General Assembly at Paris, introduced a draft resolution (document A/658) providing for a one-third reduction in armaments and armed forces by the permanent members of the Security Council and the prohibition of atomic weapons. On November 19, 1948, the General Assembly rejected a revised Soviet draft (document A/723; for text, see *Documents on Disarmament, 1945–1959*, vol. I, pp. 187–188). For text of the original Soviet proposal and documentation on consideration of this matter by the General Assembly, see *Foreign Relations*, 1948. vol. I, Part 1, pp. 431 ff.

*On the basis of an equal percentage cut in each of the services, this would give:

| | |
|---|---|
| Army | 288,800 |
| Navy | 100,600 |
| Air Force | 186,600 |

[Footnote in the source text.]

tional relations were less tense, it never proved possible to reach agreement on the limitation of military and air armaments and only a limited degree of naval disarmament was achieved. It has become clear in the course of our examination that no scheme of disarmament can hope to succeed unless there exists a genuine disposition on both sides to reduce armaments and a reasonable measure of confidence in the good faith of those participating in it. The Russians have given us no reassuring signs and until they do so any of the proposals put forward in this paper must remain academic. One must not, however, exclude the possibility that the growing strength of the Western Powers will eventually force the Russians to adopt a more positive attitude to the question of disarmament in which case one or other of the proposals in this paper may then become practical politics.

RECOMMENDATIONS

13. Our present conclusion is that, if it should be necessary in the next few months to put forward proposals for the limitation of armaments, these should be:—

(*a*) Over-all parity between the Soviet Union and China on the one hand and the United Kingdom, France and the United States on the other hand on the basis of 3 million effectives on each side.

(*b*) Provision of adequate safeguards to ensure that the agreement was observed.

(*c*) As a first step to (*b*) the mutual inspection of basic training establishments.

PIERSON DIXON [3]

[LONDON,] 19th July, 1951.

[3] British Deputy Under Secretary of State for Foreign Affairs.

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330.11/8–1351

*The Chairman of the Joint Congressional Committee on Atomic Energy (McMahon) to the Secretary of State*

SECRET [WASHINGTON,] August 13, 1951.

DEAR MR. SECRETARY: For several years I have felt that the most devastating action, propaganda-wise, which the Soviets could take would consist in going before the United Nations—after appropriate fanfare and build-up—and declaring that they unilaterally pledge themselves never to be the first nation to use atomic weapons in war. I have deliberately avoided mentioning this thought to anyone, feeling that such a tactic on the part of the Soviets could be sufficiently dangerous to us that the matter should not be discussed for fear of its "leaking."

However, in recent months, it has come to my attention that several other people, out of contact with one another and in separate locations, have had the same thought and the same feeling of concern. No doubt the possibility has occurred to officials in your own Department and has been studied.

I would be grateful if you could let me know your Department's thinking on how we might respond to such a Soviet move, insofar as planning in advance is feasible before the fact. It has crossed my mind that possibly our best reply would be to say that we unilaterally pledge ourselves not to be the first nation to use ground armies in war.

I would be grateful indeed for your comment on this matter.

Sincerely yours, BRIEN MCMAHON

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PPS Files, Lot 64 D 563

*Memorandum by the Deputy Director of the Policy Planning Staff (Ferguson) to the Secretary of State*

TOP SECRET [WASHINGTON,] August 17, 1951.

Re: Comparison of U.K. and U.S. Working Papers on Disarmament Proposals

The British on August 9 handed the Department an *Aide-Mémoire* which described an accompanying committee report on the subject of proposals with respect to the regulation and reduction of armaments.[1] The report deals with many of the same points that were dealt with in the report of the U.S. Working Group.[2] The principal differences are the following:

1. The focus of the British study was on programs applicable only to the Big Four or the Big Four plus Communist China. As a result of this limitation the British concluded that the only feasible proposal was one that balanced the total personnel of the armed forces of the U.K., France and the U.S. against those of the U.S.S.R. and Communist China, and they suggested a total limitation of three million on each side. By excluding the other countries of Europe, Japan, the Commonwealth, and other areas of potential military significance, the British greatly increased the difficulty of the problem and came to what appears to be a highly unrealistic conclusion. In fact, their conclusion has many of the same defects which we considered to be present in the agenda item proposed by the U.S.S.R. in Paris which was aimed at the reduction of armaments among the Big Four.[3]

2. The other principal difference in the views expressed in the U.S. and U.K. papers relates to disclosure and verification. In their *Aide-*

[1] For the British *Aide-Mémoire* and committee report, see p. 501.

[2] The report of the Working Group is contained in document NSC 112, July 6, p. 477.

[3] For documentation on the Four-Power Exploratory Talks held at Paris, March 5–June 21, 1951, see vol. III, pp. 1086 ff.

*Mémoire* and in the attached report, the conclusion is stated that a comprehensive system of inspection "would be unacceptable to the U.K. since it would involve an undue degree of interference in national life and the disclosure of secret industrial processes." In meetings of the U.N. the British have repeatedly resisted proposals which would involve adequate inspection, although on each previous occasion they have finally joined with us in insisting upon adequate inspection. In fact, in the British *Aide-Mémoire* itself they asked our renewed assurance (which has been given them) that atomic weapons would be brought under international control pursuant to the U.S. plan, which of course involves infinitely more detailed inspection than would be contemplated in the case of most other weapons. It has been the view of the State and Defense Departments that the disclosure and verification aspects of our position were those on which we should concentrate in any discussions in the U.N. in order to expose the unwillingness of the Soviet Union to permit real disclosure and verification and in order to avoid prolonged and futile negotiations on the other aspects of our position which might lull the West into a false sense of hope and a lessening of our defense effort.

3. On a number of points the British and U.S. thinking has been along somewhat parallel lines. For example, the British have recognized that within any over-all numerical limitation on forces each country would have to have a considerable latitude in determining the nature of the forces which it wished to retain or create. The British report, however, does not seem to have dealt with the question of paramilitary and police forces as one of the principal problems that would be met. With respect to the necessity of carrying out any program by stages, the British investigated this matter as we did, but seem to reject the idea on the ground that the difficulties of disclosure and the "over-all levels of effectives" made the approach unsuitable.

4. The U.K. reluctantly concluded that for propaganda purposes it might be necessary to put forward some proposal for the limitation of armaments, and suggested the formula of a parity as between the U.K., U.S., France on the one side and the U.S.S.R. and Communist China on the other, together with provision of adequate safeguards, which the British did not specify beyond saying that the first step would be the mutual inspection of basic training establishments.

5. In their *Aide-Mémoire*, the British have stated that they still have under consideration the manner and timing of the public presentation of disarmament proposals and there is attached a brief memorandum which indicates our general thinking on this subject which can be given to them.[4] Our memorandum does not specify any partic-

[4] The attachment does not accompany the source text. For the memorandum titled "Manner of Advancing Disarmament Proposals" which was transmitted to the British on August 20, see p. 515.

ular occasion on which the proposals would be advanced, but points out the necessity of bringing home to the public the political problems, other than those in the armaments field, between the West and the U.S.S.R. on which concurrent progress will be required. It points out that we cannot control the determination whether the disarmament question will be raised in the U.N. General Assembly this fall; it is safe to assume the Soviets will raise it. The memorandum also suggests that the tactic in the U.N. should be to emphasize the disclosure and verification aspects of the program as a propaganda device to prevent the Russians from engaging us in negotiations on the regulation and reduction aspects of the program unless they have indicated their serious desire to arrive at an agreement.

JOHN H. FERGUSON

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600.0012/8–2051

*Memorandum of Conversation, by the Deputy Director of the Policy Planning Staff (Ferguson)*

TOP SECRET [WASHINGTON,] August 20, 1951.

Subject: Study of Disarmament Proposals; San Francisco Conference [1]

Participants: Sir Oliver Franks, British Ambassador
Secretary of State Dean G. Acheson
John H. Ferguson—S/P

The Secretary had called in Sir Oliver in order to discuss with him the British *Aide-Mémoire* and report by the official committee on disarmament.[2] The Secretary told Sir Oliver that we had read these papers with interest and that the U.S. Government had also had a working group addressing itself to these problems during the past few months. He said that we had felt that it was necessary to be in a position to put forward proposals which could be used at the meeting of the General Assembly in the fall, and he indicated that it might be a good idea to advance the proposals before or at the General Assembly in order to wrest the initiative in the matter from the Soviet Union.

The Secretary told Sir Oliver that the British and U.S. working groups had dealt with many of the same points in the course of their studies and he gave Sir Oliver a modified copy of the report of the U.S. Working Group,[3] together with a brief memorandum which dis-

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[1] For documentation on the San Francisco Conference for the conclusion and signature of the Peace Treaty with Japan, see vol. VI, Part 1, pp. 777 ff.

[2] For the British *Aide-Mémoire* and committee report, August 9, see p. 501.

[3] The modified report, not printed, was in large part identical with Annex "A" of NSC 112, July 6. However, references to the specific views of the United States Atomic Energy Commission and the intelligence agencies were deleted in the modified version. (PPS Files, Lot 64 D 563) For text of NSC 112, Annex "A," see p. 483.

cussed the manner of advancing the proposals.[4] The Secretary pointed out that we felt that consideration also had to be given to the political problems in the world on which we would need to move forward as we moved forward on this question of disarmament, and Sir Oliver agreed that it would be necessary for these matters to move together.

The Secretary said that the two major respects in which our analyses differed were:

(1) That the British had addressed themselves to a possible program applicable only to the Big Four or the Big Four plus Communist China while the U.S. had felt that a broader system was necessary. He said that the British group had seemed to underrate the importance of the satellites.

(2) That we had placed a good deal of emphasis on disclosure and verification because that would be a good test of whether the Soviet Union really intended to go forward with any program. He noted that the British working group had rejected the idea of a thorough inspection and said that he felt this was a matter which should be considered very carefully.

The Secretary told Sir Oliver that the report of our working group had been considered rather widely in the Government and was now the subject of further study in order that more specific suggestions could be worked out. He emphasized the fact that we were not discussing this question with any other governments and that he would like the British to handle the matter with the greatest secrecy. He said that he felt it would be better to have the matter handled between Ministers and their top advisers with views exchanged through our Ambassadors than to attempt to raise the matter in the bipartite or tripartite ministerial conferences in September[5] when there would be a great many people involved. He added that after we had discussed the problem further with the British we would want to bring the French in on some basis.

The Secretary asked Mr. Ferguson if he had anything to add, and Mr. Ferguson spelled out briefly the fact that our working group report had concluded that a program for regulation and reduction would have to be phased from the less sensitive to the more sensitive aspects of armaments and that we thought this approach should be a very basic part of any program.

Sir Oliver said he would not attempt to read our documents during the meeting but would like to study them and would welcome the opportunity to talk further with the Secretary at a later time.

Mr. Ferguson mentioned to the Secretary that some consideration had been given to the advisability of putting forth some indication of

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[4] *Infra.*

[5] For documentation on the meetings of the Foreign Ministers of the United States, the United Kingdom, and France in Washington, September 10–14, see vol. III, pp. 1163 ff.

our views with respect to disarmament at a fairly early date and the Secretary told Sir Oliver that he had considered the possibility of raising the armaments points and several others in San Francisco if the Russians put forth programs of their own. He indicated that Mr. Dulles [6] and others in the Department thought that this would be an unwise course at San Francisco since it would doubtless prolong and confuse the meeting there. The Secretary asked Mr. Ferguson if any consideration had been given to a statement that might be made in the armaments field, and Mr. Ferguson said that he and Mr. Jessup had been working on such a possible statement, but that it was not at all clear that we would be in any position to use it prior to San Francisco. Mr. Ferguson pointed out that we had looked into the question of a proper occasion but that we had not arrived at any agreement on it and that probably the differences between the British study and our own were such that it would be hard to work it out in so short a time. Sir Oliver said that he had some doubt whether it would be possible by advancing proposals before the Russians did to blunt what they had launched. He was inclined to feel that no great advantage would be gained by trying to anticipate their approach.

[Here follows discussion of matters pertaining to the San Francisco Conference.]

[6] Special Representative of the President, with the personal rank of Ambassador, to negotiate the Treaty of Peace with Japan; Consultant to the Secretary of State.

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PPS Files, Lot 64 D 563

*Memorandum Prepared by the Policy Planning Staff* [1]

TOP SECRET [WASHINGTON, undated.]

## MANNER OF ADVANCING DISARMAMENT PROPOSALS

### GENERAL CONSIDERATIONS

1. The outstanding issues in Europe between the West and the Soviet Union include such specific political questions as Germany and Austria, withdrawal of military forces to the Soviet borders, as well as general causes of tension, and it has been felt for some time that the range of these issues necessitates the development of broad proposals with respect to armed forces and armaments in order to place the possible settlement of specific political issues in the proper context.

[1] A marginal notation on the source text reads as follows: "(Based on D. Fosdick memo of 8/16/51 'Manner of Advancing Disarmament Proposals on the Basis of NSC 112'—excised version for handing to British Ambassador 8-20-1951.)" The memorandum of August 16 by Dorothy Fosdick, member of the Policy Planning Staff, is not printed. (PPS Files, Lot 64 D 563) For NSC 112, July 6, see p. 477.

2. Further, there is a need to make clear to the American people and to the peoples of Western countries generally that their governments have in mind a sound and reasonable approach to the problem of the regulation of armed forces and armaments as one element in a broad program to ease tensions. This can be useful both to forestall utopian and otherwise less sound approaches to the armaments problem and to encourage confidence that governments of the West are thinking and planning ahead for better times.

3. The West needs time to build its defenses. It is therefore vital to prevent the Kremlin from making up its mind that a general war at an early date is its best hope. This calls not only for a program of strength but for keeping open the processes of negotiation and, in serious vein, holding out to the Kremlin a program for easing tensions, in other words, holding out an alternative to war. Armaments proposals are a necessary element in such a program.

4. The Western countries do not have control of whether the question of disarmament will be raised at the General Assembly of the United Nations this fall. The Soviet Union has already chosen disarmament as the central theme of its peace campaign. We can expect that we will be faced by a very real propaganda problem, in which the advantage will go to those who have an affirmative position to which to rally other delegations.

5. Proposals for the regulation, control and balanced reduction of armed forces and armaments must be so handled that the continued creation of military strength in the West will not be jeopardized. Until the strength of the West has been increased sufficiently to overcome the disparity in armed forces which now exists, it is unlikely that the Soviet Union would be prepared to consider *seriously* any proposals with respect to the regulation of armed forces and armaments. However, the obvious danger is that if broad disarmament proposals are advanced by us now the Soviet Union will try to discuss them in isolation from other issues, and seek to use a series of highlighted, prolonged, and futile negotiations to delay or prevent the continuation of the military programs of the West. We shall have to advance our proposals in such a way as to avoid this trap.

6. Proposals with respect to armaments should be advanced in such a fashion that the American people and those of other Western countries are fully aware that the armaments proposals are intimately related to progress on the concurrent settlement of other political issues, including the completion of generally accepted treaties for Austria, Japan and a unified Germany, the cessation of hostilities in Korea (in the event they are continuing), the unification of Korea, the cessation of subversive intervention, withdrawal of military forces to the Soviet borders, cessation of obstructive policies in the United Nations, freedom of movement of goods, persons and ideas. It would not be appro-

priate at this stage to make the settlement of any one of these issues a precondition for the settlement of the others, but rather to establish the fact that we are willing to move forward on the various issues in a manner not to imperil the security of the West, but that in this process we may find that the conclusion and implementation of some agreements will depend upon good will in negotiating and implementing others.

7. Our armaments proposals should be advanced in such a way that *discussion* would have to begin on an aspect of the problem which will test the sincerity and seriousness of the Soviet Union, and in such a way that agreement on that aspect would be the precondition for discussion of other aspects.

The problem of disclosure and verification would provide this initial aspect and would be appropriate for discussion either in a CFM or UN forum. While our armaments proposals would be initially advanced as a whole, we would present for *discussion* sufficiently precise and detailed proposals on the mechanisms of disclosure and verification to test exactly how far the Soviet Union will seriously go in this direction.

There would be obvious advantages in concentrating at this stage on disclosure and verification. We would be safeguarded against highlighted and prolonged armaments negotiations on the reduction and control aspects, which might very well lull the West into believing there was some immediate prospect of relief from the armaments build-up. We would have chosen an aspect of the armaments problem on which the Soviet Union is at a clear disadvantage from the propaganda point of view, and where the West would have a clear advantage. It would give us the opportunity to focus on the lifting of the Iron Curtain on armaments matters as the prerequisite to further progress on the problem.

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330.11/8-1351

*The Assistant Secretary of State for United Nations Affairs (Hickerson) to the Chairman of the Joint Congressional Committee on Atomic Energy (McMahon)*

SECRET [WASHINGTON,] August 21, 1951.

DEAR BRIEN: The Secretary has asked me to reply to your letter of August 13, 1951 in which you mention the possibility that the Soviets might achieve a propaganda advantage by declaring that they unilaterally pledge themselves never to be the first nation to use atomic weapons in war, and suggest as a counter that the United States declare it would not be the first nation to use ground armies in a war.

The Department has been aware of the possibility that the Soviets would adopt such a tactic, because of their current "peace" offensive and their sponsorship of various "peace" appeals.

As you may recall, the USSR last year at the Fifth General Assembly introduced a resolution which, among other items, called for immediate destruction of atomic weapons and the branding as a war criminal–aggressor of the first nation to use the atom bomb.[1] The possibility you suggest, of an explicit pledge by the Soviet Union not to be the first to use atomic weapons, is a variant of that Soviet-sponsored resolution. This resolution was introduced shortly after the aggression in Korea and at a time when the aggression was being pursued with great vigor. Its objective, of course, was to divert attention from Communist aggression and to confuse public opinion.

Far from being embarrassed by this resolution, the United States and the vast majority of the United Nations turned it back on the Soviet Union in the "Peace Through Deeds" resolution [380 (V), adopted 17 November 1950 by 50 to 5, with 1 abstention] in which, among other things, it was pointed out that the real crime was aggression. A copy of this resolution is enclosed.[2]

The United States Representatives supported this resolution by pointing out that the Soviets were silent on the question of stopping armed aggression, and that this was consistent with the opposition of the USSR to the "Essentials of Peace" Resolution of 1949[3] (similar to the "Peace Through Deeds" Resolution) which called on all nations to avoid both the threat and the use of force. They invited the Soviets to pledge themselves to stop aggression, whether direct, indirect through their satellites, or through fomenting civil strife.

If the Soviets choose to make their implied position explicit by making the unilateral declaration you suggest, the Department proposes to respond in the same vein.

Moreover, we would point out that we have made not merely a unilateral pledge, but a most solemn commitment in signing the United Nations Charter that we would not commit the crime of aggression. Further, we would state that we have lived up to this commitment and have every intention of living up to it in the future. Our record is clear. We would welcome similar assurances from the USSR and

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[1] Reference is to the Soviet draft resolution of October 23, 1950, on Condemnation of War Propaganda, Prohibition of the Atomic Weapon, and One-Third Reduction of Great Power Forces (U.N. doc. A/C.1/595); for text, see *Documents on Disarmament, 1945–1959*, vol. I, pp. 248–250. On November 17, 1950, the General Assembly, rejecting the Soviet proposal, adopted the "Peace Through Deeds" resolution (General Assembly Resolution 380(V)); for text, see *ibid.*, pp. 260–261. For documentation on this subject, see *Foreign Relations*, 1950, vol. II, pp. 371 ff.

[2] Not printed here.

[3] For text of the "Essentials of Peace" resolution, approved by the General Assembly on December 1, 1949, see Department of State *Bulletin*, November 28, 1949, p. 807. For related documentation, see *Foreign Relations*, 1949, vol. II, pp. 72 ff.

would welcome even more concrete evidence that the Soviet Union was putting these assurances into effect by cooperating in all the organs of the United Nations.

It is the firm belief of the Department that this method of counteracting a possible Soviet declaration that they would not be the first to use atomic weapons in war would keep the issue focused on the basic problem, namely, that aggression is the real crime and that the means used to carry out such aggression, or to combat it, are incidental to that basic crime.

Sincerely yours, JOHN D. HICKERSON

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600.0012/9–1251

*Memorandum of Conversation, by Mr. Howard Meyers of the Office of United Nations Political and Security Affairs*

TOP SECRET [WASHINGTON,] September 12, 1951.

Subject: Discussion on United Kingdom and United States Working Papers on Disarmament Proposals.

Participants: Sir Pierson Dixon, UK Deputy Under Secretary of State for Foreign Affairs [1]
Miss Barbara Salt, First Secretary, UK Embassy
Mr. John D. Hickerson, UNA
Mr. Ward P. Allen, EUR
Mr. Bernard G. Bechhoefer, UNP
Mr. Howard Meyers, UNP

Sir Pierson explained that the United Kingdom had started their disarmament study at the time of the Four-Power talks in Paris this spring. He understood that the United States had commenced its study in the disarmament field somewhat prior to this time, and he was interested in knowing more of the motivation on the United States side.

Mr. Hickerson explained that our efforts had gone back to the time when we were preparing for the 1950 General Assembly, when he had been interested in using disarmament as a major theme in that Assembly. However, the aggression in Korea had changed our whole approach to the 1950 General Assembly. Later, the Department had started to think about possibilities in the event there might be a meeting of the Foreign Ministers to discuss means of settling tensions between the Soviet Union and the other major powers, and a combined State Department–Defense Department team had been organized to work upon problems in the field of regulation and control of armaments. Our motivation in part arose from the fact that we have had to

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[1] Sir Pierson Dixon was in Washington to participate in the Tripartite Foreign Ministers meetings held from September 10 to September 14. For documentation on those sessions, see vol. III, pp. 1163 ff.

counter Soviet Union proposals in the General Assembly in 1948, 1949 and 1950, and have done so by showing the falsity of these proposals—i.e., basically a negative approach. We have wondered whether there might be considerable advantages accruing from a positive approach to this problem. The United States does not expect that the USSR will accept honest and effective proposals in the disarmament field, but such proposals might well have both propaganda and substantive benefits, as explained in the paper handed to Sir Oliver Franks on August 20, 1951.[2]

On the other hand, we were definitely concerned with the necessity for maintaining the pace at which our own military strength and that of our allies was being built up, and this build-up was protected by our proposal that disclosure and verification by stages was a necessary first step to consideration of other elements in any balanced program of regulation and reduction of armaments. The United States was convinced that we could not make a proposal merely for its propaganda benefits; that it had to be an honest proposal, one which we could live with if accepted by the Soviet Union. The propaganda benefits, while very important, would follow from our making an honest proposal.

Sir Pierson said that the United Kingdom was disposed to think that "we" should take the initiative in this field. The question was what type of proposal should be put forward. The United Kingdom agreed with the United States that any proposals which might be put forward should be honest; should be of a nature such that we would be able to live with them; should have a good effect on the public. His Government's doubts regarding the United States proposals were: (*a*) Are the proposals such that we could live with them—i.e., would it be necessary to throw these proposals into the United Nations for discussion by 60 nations, when the United Kingdom would fear this would result in a type of inspection which would examine closely United Kingdom industrial processes; (*b*) Are these proposals sufficiently striking in terms of their effect on world opinion—and in this respect the United Kingdom believed their own proposals for a 3-million-man limitation on the armed forces of the USSR and Communist China, on the one hand, and the UK–US–France, on the other hand, are simpler and more striking.

Mr. Hickerson explained that United States thinking on this matter was tentative and that final conclusions have not been arrived at. He contemplated that we would probably wish our main proposal for continuing disclosure and verification to be worked on in a United Nations commission. We thought a desirable approach might be to say that we were prepared to give consideration to other items in a disarmament plan once the proposals for disclosure and verification had been ac-

[2] Reference is to the memorandum by the Policy Planning Staff titled "Manner of Advancing Disarmament Proposals." For text, see p. 515.

cepted by the Soviet Union. Among such items might be proposals limiting the size of armed forces in each country to 1 percent of the population with a ceiling of 1 million troops for each country; restricting the portion of national production used for armaments to 5 percent of the national product; establishing within the 1 percent–1 million armed forces limits a reasonable limitation by categories of the composition of these armed forces, to avoid undue concentration on types of components.

Sir Pierson agreed there was much to be said for the United States approach. It was logical to proceed on the basis of testing each other's faith. He doubted, however, that the United States proposal had sufficient propaganda value, whereas he believed that the 3-million-man-limit concept in the United Kingdom proposal had this value. The British proposal deliberately eliminated reference to both the small European powers and the Soviet satellites. His Government had calculated the small European powers armed forces totaled something over 1 million while the satellites forces were somewhat over 800,000 men, so that there was an approximate balance. He admitted that the British Cabinet is somewhat concerned over the fact that the United Kingdom proposal left out consideration of the Commonwealth forces in their scheme. He proposed that the United Kingdom and United States should engage in further and more detailed talks on their respective proposals.

Mr. Hickerson agreed that further talks were desirable, and explained that the United States intended to go ahead and see what our proposals would look like in a more developed form, since our thinking so far had been on a rather tentative basis. We wanted to talk to the United Kingdom about these more detailed proposals, and later on tell the French about them. Mr. Hickerson explained that, in the Six-Power talks in 1949,[3] he had made a commitment to his other four colleagues (Canada, China, France and the United Kingdom) that the United States would inform them if we ever came to more definite conclusions regarding the desirability of proceeding with proposals in the disarmament field. He believed that there should be a meeting first of minds with the United Kingdom, then with the French, while it appeared necessary only to tell the Canadians and Chinese that these talks had taken place.

Sir Pierson added that the United Kingdom had already told the French Government that the United Kingdom had been working on disarmament proposals but had not come to final conclusions.

Mr. Hickerson thought that we needed two more weeks in which to develop further proposals, and then could talk to the United Kingdom

[3] For records of the meetings of the six permanent members of the United Nations Atomic Energy Commission during 1949 and related documentation, see *Foreign Relations*, 1949, vol. I, pp. 7 ff.

at this time. The United States tentatively believed that it would be advisable to launch these proposals in the Sixth General Assembly in November, if this appeared possible. We would like to see the President start off this program prior to the General Assembly, with a speech which would set the stage for more detailed proposals which could be made at the General Assembly. The detailed proposals undoubtedly should be made in the early days of the General Assembly, in order to obtain the initiative.

Sir Pierson agreed that there was distinct need to make these proposals in the opening days of the General Assembly in order to assume the initiative. He returned again to the principal problem that he saw in considering the United Kingdom and United States proposals: That the United Kingdom proposal for a 3-million-man limit on troops was simple to understand, while the US proposal recognized more fully the necessity to avoid overselling the disarmament idea in too simple a form since the Russians might agree to the concept in principle and then this Soviet acceptance would weaken the rearmament program without tying down the USSR to any real agreement.

Messrs. Allen, Bechhoefer and Meyers amplified the benefits they saw in the United States proposals. The difficulty with the United Kingdom proposal was that it was a variation on past Soviet proposals for a ⅓ reduction of forces of the Big Five, and as such represented a departure from past UK–US insistence that any effective disarmament program must have the adherence of all nations with substantial military power, so that it might be difficult to explain satisfactorily why we had changed our position so radically. This difficulty was not present in the United States proposal and, moreover, the United States plan appeared to achieve a better balance than the UK proposal in avoiding the kind of proposition which might at this time weaken our attempts to proceed with effective rearmament, while simultaneously demonstrating concretely the sincere desire of the western world for honest and effective disarmament. We were afraid that the British plan, which emphasized reduction of armed forces, would place undue emphasis on this reduction in the popular mind and detract attention from the necessity for proceeding with our rearmament program, thus benefitting the Soviet Union.

Sir Pierson agreed that the United Kingdom and the United States should take a further look at the problem at the end of two weeks, and discussions should be held here in Washington. The United Kingdom would try and send their Foreign Office expert on these problems, Mr. Hohler, over here the last week in September. He suggested that, if there should be failure to reach agreement, Mr. Hickerson could act to resolve these disagreements when he was present in London the first week in October at the Colonial Talks to be held with the United Kingdom Government.

Mr. Hickerson concluded by suggesting that it might be possible for the United Kingdom and the United States not to agree on details, and that if the United Kingdom agreed that it was advisable to make disarmament proposals of some nature in the General Assembly, the United States would put forth its proposals and the United Kingdom might say in the Assembly that the proposals appeared to have merit but that the United Kingdom had other ideas which they might raise later.

Sir Pierson did not reply to this point.

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Disarmament Files, Lot 58 D 133

*Memorandum of Conversation, by Mr. Howard Meyers of the Office of United Nations Political and Security Affairs*

TOP SECRET [WASHINGTON,] October 4, 1951.

Subject: Working Papers Advancing Disarmament Proposals on the basis of NSC 112.

Participants: Mr. Harry Hohler, UK Foreign Office
Mr. C. A. Gerald Meade, Counselor. UK Embassy
Miss Barbara Salt, First Secretary, UK Embassy
Mr. John D. Hickerson, UNA
Mr. Gordon Arneson, S/AE
Mr. Joseph Chase, S/AE
Mr. John Ferguson, S/P
Mr. Ward P. Allen, EUR
Mr. B. G. Bechhoefer, UNP
Mr. Howard Meyers, UNP

The first meeting convened at 3:30 in the afternoon of 1 October in Mr. Hickerson's office.

Mr. Hickerson asked whether the United Kingdom had given further consideration to the United States papers on disarmament proposals, handed to Sir Oliver Franks on August 20,[1] explaining that we would be most interested in British views which would supplement those expressed previously by Sir Pierson Dixon on September 12. He wished to adopt an informal procedure by which the group present at this meeting, including the British representatives, would go over the working papers which were before this group. These papers presented the outline of proposals which might possibly be advanced in the Sixth General Assembly concerning regulation, limitation and balanced reduction of all armed forces and armaments. The papers did not repre-

[1] The papers under reference are 1) the Policy Planning Staff memorandum titled "Manner of Advancing Disarmament Proposals," p. 515; and, 2) a report containing proposals on limitation and reduction of armaments, which is described in footnote 3, p. 513.

sent a United States Government position, although they were based on a policy paper which had Government approval. There still remained the problem of clearing elsewhere in the United States Government any papers agreed upon by this group. However, we wanted to go over our working draft with the British representatives, making our own criticisms and hoping that the United Kingdom officials would join in the redrafting.

Mr. Hickerson explained that these papers had not been shown to the French: that we would not do so much before we were ready to make our proposals. Although the papers were set up in the form of a United States proposal, we were by no means adverse to a joint UK-US-French proposal. Because of United States and United Kingdom commitments to France, a US–UK proposal without France would not be possible. The proposal must be either by all three or by one country. The previous paper given to Sir Oliver Franks was only the bare bones of a possible program, and these papers sought to present the case for public use.

Mr. Hohler said that the Official Committee on Disarmament in the Foreign Office had prepared another paper in draft form,[2] approved by the Foreign Office, which was being considered by the Cabinet's Disarmament Committee on October 2. The United Kingdom hoped that it could reach agreement with the United States on the form of a disarmament proposal and the manner of its presentation, and then reach agreement with the French. The United States paper handed to Sir Oliver Franks had been very helpful, although the United Kingdom had two major points of disagreement with the United States position.

a. *Presentation.* If the United States idea was to bring forward disclosure and verification proposals and couple with them, as possibilities, the general concepts of a 1 percent–1 million man limitation on forces and a percentage limitation on the amount of national production available for military purposes, then the United Kingdom felt that there was great danger of getting involved at the beginning of the presentation of these proposals in an argument about the basic principles of disclosure and verification. Thus, the Soviet Union might draw the United States and its Western allies into an argument which would be so complex that the general public would not understand what was involved. Therefore, the United Kingdom preferred the idea that the disarmament proposals made should stress the limitation of the number of military effectives, and that then the disclosure and verification concept could be advanced. In this connection, the Committee on Disarmament had developed more fully its thoughts on disclosure and verification.

b. *Universality of Approach.* The United Kingdom appreciated the strong political advantages in advancing proposals for limiting and

[2] A 5-page paper on disarmament, bearing the notation "British paper delivered to us Oct. 1, 1951," accompanies the file copy of the present memorandum. It is not printed. (Disarmament Files, Lot 58 D 133)

reducing armed forces and armaments which would be of general application, and which would not look as if advanced purely for the advantage of the Western democracies. His Government saw no difficulty in general with the concept of a 1-million man limitation on effectives, so far as the older Dominions were concerned. However, the United Kingdom was much concerned that this limitation would be unacceptable to Pakistan in view of its difficulties with India. In addition, he could think of other similar situations, such as Haiti and Santo Domingo, which would cause objections to the percentage limitation suggested by the United States.

Mr. Hickerson pointed out that we could always explain to the Governments of India and Pakistan that these limitations were only proposals; that the likelihood of Soviet acceptance of these proposals was so slight that we doubted this 1-million man limitation could affect them as a matter of practical application. In addition, we could not make our proposals only for propaganda purposes; they must be honest concepts with which we could live if accepted. If these were dishonest proposals, their dishonesty would soon be apparent and cause us considerable harm. If the United Kingdom and the United States could agree on a disarmament program, assuming that the Soviet Union would agree in addition, we should not refrain from making our proposals because of possible local difficulties. We could not meet in advance all of the objections because of local situations; otherwise, we would never make proposals. The concept of universality in the United States approach had real pulling-power, and should not be held back because of the difficulty of local application.

Mr. Meyers remarked that the present Indian military superiority over Pakistan was roughly 2½ to 1. It was difficult to believe that Pakistan would object to a program which would cut India's superiority to 1¼ to 1.

Mr. Meade said that the United Kingdom proposal benefitted from being simple to understand, whereas the United States approach was complicated. He was also concerned to know the manner in which the proposals would be presented in the United Nations. Would they be made jointly? Would the French join in them? Should they be made by the respective Secretaries of State? Should we say that the proposals had been the subject of UK–US and French discussion? In regard to the last query, he thought that all three governments would like to say that they had been studying the disarmament question, both because of domestic and international relations.

Mr. Hickerson referred to Mr. Hohler's point "*a*", the difficulty of presenting the United States idea in simple form. He said that our new paper would show that we would present the program for a continuing disclosure and verification as part of a general disarmament program.

Mr. Ferguson added that we would want to get across the idea of limitation on armed forces and armaments, in which disclosure and verification would be the first step. In any detailed discussions, it would be inadvisable to emphasize or concentrate on the limitation aspect.

Mr. Hickerson stated that it would be unfortunate if we were drawn into detailed discussions on reduction of armaments and armed forces when we know that the Soviet Union has never agreed up to now on any system of verification. Concentration on limitation of the number of effectives, as suggested by the British, would emphasize disarmament at the expense of the present rearmament program necessary to meet the threat of aggression from the Soviet Union and its satellites. In connection with the difficulties inherent in presenting any disarmament program, he inquired what would happen to the disarmament proposals if the Conservatives should win the general elections to be held on October 25 in England.

Mr. Hohler replied that the Foreign Office Committee on Disarmament and the military people had not yet reached conclusions on this point. However, in his personal opinion, he did not believe that a change in government would affect the disarmament proposals, since any United Kingdom Government would want to put forward such proposals, for both domestic and foreign political reasons.

Mr. Meade thought that any new government would have so recently come to power at the time of the General Assembly that it would have to accept most if not all of the General Assembly programs previously worked out.

Mr. Hickerson handed the United Kingdom Representative Tab A of the United States papers,[3] which outlined the general United States program as part of proposed points to be included in the speech of the United States Representative in the Political Committee at the time General Assembly debate would be open on this item. He explained that the general idea of the program would be presented earlier by the Secretary of State in the general debate.

Mr. Ferguson thought that the paper needed revision to bring forward more clearly the United States ideas on a general program for regulation, limitation and balanced reduction of all armed forces and armaments, and that the disclosure and verification program would be part of that general regulatory system. He was afraid that there was too much emphasis in the present paper on the fact that we would have to go a long way with disclosure before we might start negotiations on the general disarmament program.

Mr. Hohler agreed with this. The initial statement appeared to be the most important question, from the propaganda view.

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[3] The source text is not accompanied by attachments. The paper under reference has not been identified specifically, but for a revised version, see the Agreed United States–United Kingdom Working Level Paper, p. 534.

It was agreed that the paper should be revised by Messrs. Bechhoefer and Meyers that evening and the new paper would be presented for discussion at 11:00 a. m. the next day.

2 October.

The meeting convened at 10:00 a. m. in Mr. Hickerson's office. The revised paper [4] was discussed and suggestions for revision were made by both the United States and United Kingdom participants. It was agreed that the text would be further revised and that discussion would continue that afternoon. The meeting adjourned until 4:30 p. m.

At 4:30 in the afternoon, the newly revised text [5] was considered, and Mr. Hohler stated that he liked the revised text; that it was much better in terms of presenting first the general concept of armed forces and armaments limitation and then the disclosure and verification program as an indispensable first step. He would recommend to London that the United Kingdom agree with the United States position. He would like to know our views regarding the timing of presentation.

Mr. Hickerson explained that our present thinking visualized first a Presidential speech. If we worked out a joint or tri-partite program, the British Prime Minister and French Foreign Minister would have to coordinate their actions with this Presidential speech. There might be a joint or tri-partite statement about the time the General Assembly would open, possibly November 7. If it was agreed that there should be a joint presentation, there should be a delay of any joint announcement until there was an agreed statement. In terms of General Assembly presentation, we would have to make arrangements to be sure that the US–UK and French Delegation Heads spoke before Vyshinsky in the general debate. This was desirable, but not indispensable.

The meeting was adjourned until 10:00 a.m. the next day.

3 October.

When the meeting convened, the first item discussed was tactics.

1. *Informing the French.*

Mr. Meade wondered whether the French would be annoyed if they were only given the plan by the first of November, and we contemplated a public statement of our disarmament proposals on the 7th of November. However, the French might regard this matter as an academic exercise anyhow, and so not be bothered too much by this short space of time between notification and public announcement.

Mr. Hickerson thought that, in view of the possibility of leaking, we should leave as little time as possible between the date on which the

[4] The specific text under reference has not been identified, but for the subsequently agreed paper, see p. 534.

[5] Not specifically identified, but presumably identical with or very similar to the Agreed United States–United Kingdom Working Level Paper, *ibid.*

French were informed of our ideas and the date on which a public statement would be issued on the subject. The French know, from the Paris meetings of the Foreign Ministers' Deputies this Spring, that the United Kingdom has had a group working on disarmament proposals, and we could explain that there had been UK–US meetings on the subject at a staff level only. He thought that Ambassador Bruce [6] might alert M. Parodi [7] and M. Derose [8] to the possibility of disarmament proposals during the last week in October, saying that the United States hoped to be able to talk to the French about these disarmament proposals in the very near future. Bruce's statement would ease French annoyance at the late date of disclosure of our disarmament proposals.

Mr. Hickerson continued on the assumption that a tri-partite statement would be issued in the three capitals on November 7. If there were speeches accompanying this statement, the context of each speech would be a matter for each government, although the contents should not go beyond the framework of the tri-partite statement. There was some question in his mind as to whether we wanted to mention the 1 percent–1 million man effectives limitation in the tri-partite statement.

Mr. Hohler and Mr. Meyers thought that it would be valuable to make the statement in order to get the maximum propaganda benefit, particularly because the three Secretaries of State would speak in the General Assembly very shortly thereafter.

Mr. Ferguson thought that it was better not to make mention of these limitations in the tri-partite statement. He agreed that this was largely a question of timing and that the matter needed further examination.

2. *Procedure in the General Assembly.*

Mr. Hickerson pointed out that we could follow two procedures: (*a*) proposing a new agenda item; (*b*) linking the disarmament proposals with the existing item for implementation of the recommendations of the Committee of Twelve.[9] He preferred a new agenda item.

There was general agreement that the disarmament proposals should be presented as a new item for the agenda; that the first one of the three Secretaries of State to speak in the general debate should ask that these disarmament proposals be added to the agenda as an urgent and important matter. Later, it would probably be desirable to consolidate this item with the implementation of the Committee of Twelve's recommendations. However, there should be two separate resolutions: one creating a merged commission and the other calling upon the commission to consider this program.

Regarding whether the item should be discussed in the *Ad Hoc*

[6] David K. E. Bruce, United States Ambassador in France.

[7] Alexandre Parodi, Secretary General of the French Ministry of Foreign Affairs.

[8] François de Rose of the French Ministry of Foreign Affairs.

[9] Regarding the recommendations of the Committee of Twelve, see its report, October 23, p. 552.

Political Committee [or] in Committee One, there was no particular feeling one way or the other. It was generally agreed that there should be a resolution as a result of the statement and debate in Committee; that the resolution should note with approval the desire of the UK, US and France to put forward disarmament proposals and should recommend that the new unified commission (to be set up as a result of the recommendations of the Committee of Twelve) should take up the disclosure and verification program as the first item on its agenda. This resolution should be sponsored by the UK, US and France, and might have other sponsors. The question of additional sponsorship could be decided later, and it was agreed that the three governments should consult at the time of introducing the resolution in regard to other sponsors. With respect to the timing of this resolution, it might be advisable to say in Committee that we would withhold a resolution until the new unified commission was set up.

3. *Additional Questions.*

Mr. Hohler requested clarification regarding United States ideas on the application of the 1 percent–1 million man limitation on effectives. Mr. Hickerson explained in response to Mr. Hohler's specific question:

a. Algiers should be included in Metropolitan France since it was a Department of Metropolitan France.

b. Colonial territories should be excluded in estimating the populations of their home countries.

c. We considered the USSR as one country, and not as 16 individual republics.

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PPS Files, Lot 64 D 563

*Memorandum of Conversation, by Mr. Howard Meyers of the Office of United Nations Political and Security Affairs*

TOP SECRET [WASHINGTON,] October 5, 1951.

*Working Papers Advancing Disarmament Proposals on the Basis of NSC 112*

[PRESENT]

Mr. Harry Hohler, UK Foreign Office
Mr. C. A. Gerald Meade, Counselor, UK Embassy
Miss Barbara Salt, First Secretary, UK Embassy
Mr. John D. Hickerson, UNA
Mr. John H. Ferguson, S/P
Mr. Bernard C. Bechhoefer, UNP
Mr. Joseph Chase, S/AE
Mr. Ward P. Allen, EUR
Mr. James C. H. Bonbright, EUR [1]
Mr. Howard Meyers, UNP

1. Mr. Hohler read from a telegram which had just been received that day from his Foreign Office, noting that the State Department

[1] Deputy Assistant Secretary of State for European Affairs.

now agreed that the initial emphasis in presentation should be on limitation and reduction of armed forces and armaments and, on the other hand, that the United States still wished to adhere to the principle of universality in applying the limitation formula. The Foreign Office, while delighted with the agreement on the initial emphasis in presentation, could not at the moment give a final commitment in regard to the universality approach. London inquired regarding the United States attitude on presenting a compromise proposal in two stages:

(*a*) Parity for the five major powers;
(*b*) Universality of application for the 1 percent–1 million-man limitation on effectives.

In addition, what was the Department's estimate regarding United States public opinion reaction toward the original United Kingdom proposal for a 3 million-man limitation on the forces of the US–UK–France and of the USSR–Communist China?

Mr. Hickerson replied that, speaking first about the original United Kingdom proposal and United States public reaction thereto, he believed our public opinion would regard it as impossible to leave out the Soviet satellites. He noted that the United States proposal actually strengthened the position of our friends, since Yugoslavia, Turkey and Greece would have more effectives than the Balkan satellites. He reiterated our previous comments that the United Kingdom proposal was only a variation on past propositions made by the Soviets and strongly rejected by the United Kingdom and the United States, so that it would be hard to explain this shift in our position.

Regarding the compromise proposal suggested by the Foreign Office, he believed that we would encounter all of the obstacles which the United States saw in the original British proposal. Moreover, we would find that there would be discussion in the General Assembly centering on whether the first step should be the final one or not. Also, the United States wanted to concentrate on the initial first step of disclosure and verification as part of a general program for regulation, limitation and balanced reduction of all armed forces and armaments. While we have now turned around our proposal to give first a general outline of the disarmament program, thus meeting the United Kingdom view, we still thought that the first step in carrying out this program was discussion on disclosure and verification.

2. Mr. Hohler said that the Foreign Office had not understood that the text of the United States basic paper, which he had telegraphed to London, was not intended to be used as the Tri-Partite statement. He thought it might be advisable to send the Foreign Office a rough draft of this tri-partite statement.

Mr. Hickerson thought that it would be better not to send a draft at this time, since this would be a good place at which to bring in the French as a full drafting partner, thus assuaging French feelings of annoyance at not having partaken in previous UK–US discussions on the basic paper.

Mr. Allen agreed that we should not go to the French with a tri-partite statement already worked out, but suggested that we might have a tentative UK–US draft.

Mr. Meade suggested that Mr. Hohler might ask the Foreign Office to prepare a draft of a tri-partite statement, and then the United Kingdom, United States and France could each work out their own draft and compare them at the same time in working out an agreed tri-partite statement. He remarked that the Foreign Office would like an explanation why the program could not be initiated by the Secretary of State in the General Assembly, rather than give its initial impetus by a Presidential speech.

Mr. Hickerson replied that our thinking was conditioned by the fact that the President is the Chief of State and in general charge of foreign relations, the Secretary of State being his agent. Moreover, under the United States law regarding atomic energy, we could not give information on atomic weapons to any other country. Thus, the President would have to request a change in the law. Thirdly, it would have more psychological impact if the President presented the program.

3. Mr. Hohler said the Foreign Office had very little doubt that the French would go along with this program, but did not understand why the United States wished to present these proposals alone if the French would not join with the United Kingdom and the United States in presenting the program. The United Kingdom would like to join with the United States in offering disarmament proposals in the General Assembly, in any event. Mr. Hickerson said that the United States attitude had two elements:

(*a*) If the French say that they do not like these particular proposals although they are interested in some disarmament proposals being made, then he thought that it was inadvisable for the United Kingdom and the United States to go ahead and present these proposals since it might appear that we were ganging up on the French. In this instance, the United States alone should present this program.

(*b*) The French would say that they did not wish to join the United Kingdom and the United States in making any disarmament proposals, in which case the United Kingdom and the United States should join in advancing the program without French participation.

Mr. Bonbright thought that this exercise was somewhat academic, as he believed that the French would want to join in any disarma-

ment proposals advocated by the United Kingdom and United States. If the French were given an adequate period for consultation and then turned down the idea, he believed that it would be alright for the United Kingdom and the United States to go ahead with the program anyhow.

4. Mr. Hohler said that Sir Gladwyn Jebb [3] had criticized our proposed timing as regarded informing the French about the detailed proposals only shortly prior to the General Assembly. The Foreign Office concurred in Jebb's belief this was inadvisable, thinking that this would be too great a risk in terms of relations with France.

There was general agreement on the part of the conferees that we needed to give France more time [to] consider the proposals. Of course, it depended on when there would be a cleared United States paper, but it was hoped this might be expected by October 16.

5. Mr. Hohler said that Sir Gladwyn Jebb had emphasized the necessity for simplicity of approach in order to obtain the best propaganda advantages, consequently, Jebb had thought that there should not be too much emphasis on disclosure and verification.

Mr. Bechhoefer remarked that Jebb's arguments were devoted toward the question of presentation and not to the plan. The plan was somewhat complicated, but we would have a much similar form of presentation.

Mr. Ferguson supported Mr. Bechhoefer's remarks, adding that the Department could not accept the Jebb thesis in view of the attitude of our military people and of other United States officials. We needed to concentrate great effort on rearmament, and we were afraid of the effect on our rearmament program if we emphasized too strongly the criteria for limitation of effectives and armaments.

6. Mr. Hohler read from the telegram saying that the Foreign Office was somewhat confused by the relationship to paragraph 2–*d* of the basic paper, which reaffirmed the United Nations plan for control of atomic energy, and paragraph 3–*d*, which spoke of disclosure and verification of atomic weapons.

Mr. Ferguson explained that paragraph 2–*d* referred to international ownership and control of atomic energy, to which the United States still firmly adhered. Now, however, as regarded disclosure and verification, paragraph 3–*d* declared the United States was willing to include atomic weapons before there was international control of atomic energy.

There was general agreement that the language of these two paragraphs should be clarified, although this might be done at a later stage in order not to hold up clearance of these papers.

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[3] Permanent British Representative at the United Nations.

Disarmament Files, Lot 58 D 133

*Memorandum by the Assistant Secretary of State for United Nations Affairs (Hickerson) to the Secretary of State*

TOP SECRET [WASHINGTON,] October 5, 1951.

Subject: Regulation of Armed Forces and Armaments

*Discussion:*

You will recall that over the past several months, considerable effort both in State and Defense has been devoted to the development of a program for the regulation of armed forces and armaments. The general principles to govern such a program have been approved in NSC 112. Simultaneously and independently, the U.K. has developed a similar program.

About three weeks ago, I arranged with Sir Pierson Dixon that a representative of the Foreign Office should come to Washington with a view to coordinating the two programs. During the past week, we have engaged in extended discussions with the British and have jointly drafted the attached "Outline of Program for Regulation, Limitation and Balanced Reduction of All Armed Forces and Armaments". This paper goes as far as possible to meet the British point of view without in any way altering the basic U.S. position as set forth in NSC 112. The paper is acceptable to the expert of the British Foreign Office, who believed that in the light of the comments he had already received, it would be approved by his government. We pointed out to the British that the paper at this time does not represent a U.S. position and that you had not yet seen it.

I have informally transmitted a copy of the paper to Frank Nash,[1] likewise explaining to him that you have not yet seen the paper. Pending your approval of the paper, he is proceeding informally to ascertain the reactions of Defense.

It is our view that the program should be advanced jointly by U.S., U.K. and France. With this in mind, we would commence discussions with the French as soon as possible after the program receives Presidential approval—perhaps during the week of October 15. We contemplated presenting the program as follows:

1. Identical statements containing a brief explanation of the program would be released simultaneously by U.S., U.K., and France on or about November 7. The President would issue the statement here.
2. Simultaneously, the President would make a speech to the country built on the statement and our willingness to disarm but our unshakable determination to continue to build upon our strength until Soviet good faith is proved and a dependable agreement enters into force. Presumably, U.K. and France would take similar steps.
3. The program would be elaborated in your statement and in the

[1] Assistant to the Secretary of Defense for International Security Affairs.

British and French statements in the General Debate during the forthcoming General Assembly. It would be important to arrange for you to speak in the debate before Vishinsky speaks and I shall endeavor to do this as soon as you approve this program.

4. We would request that the matter be considered by the General Assembly as an additional item to be included on its agenda as a matter of urgency and importance.

*Recommendation:*

In view of the extremely tight time schedule which we must follow in order to reap the maximum benefits in the General Assembly from this program, I am anxious that you should consider this program as soon as possible and let me know if you approve it.

*Concurrences:*

This program has been approved by S/P, EUR, Gordon Arneson, and myself.

*Attachment:*

"Outline of Program".

[Annex]

*Agreed United States–United Kingdom Working Level Paper*

TOP SECRET [WASHINGTON, undated.]

OUTLINE OF PROGRAM FOR REGULATION, LIMITATION AND BALANCED REDUCTION OF ALL ARMED FORCES AND ARMAMENTS

1. The United States has proposed in this General Assembly a program for regulation, limitation and balanced reduction of all armed forces and armaments. We expect to introduce more detailed proposals in the new unified commission which we hope will be set up as a result of the recommendations of the General Assembly's Committee of Twelve that functions of the Atomic Energy Commission and the Commission for Conventional Armaments be merged in a new unified commission which would carry forward their work. The United States will merely outline its views at this time, leaving the details for later presentation.

2. The United States proposes that such a disarmament program include the following elements:

*a.* The objective should be to secure the regulation, limitation and balanced reduction of all armed forces and armaments to a level which would decrease substantially the possibility of successful aggression, and thereby decrease the chances that armed aggression would be used to further national objectives.

*b.* In working out the regulation, limitation and balanced reduction of armed forces and armaments, the following criteria are examples

of those which might be used and which we would be prepared to consider:

(1) Limiting the size of armed forces, including para-military and security forces to 1 percent of population, and establishing a ceiling for any one country of 1 million.

(2) Limiting stocks of military equipment for authorized armed forces and restricting the portion of national resources and industrial production which can be used for military purposes, to say, 5 percent of the national product, as contrasted with the much higher percentages today.

(3) Developing mutually agreed national programs, within the overall limitations, concerning the composition of armed forces and armaments that each country would maintain.

*c.* There must be an adequate system of safeguards to ensure observance of any acceptable disarmament program. The safeguards should provide for the prompt detection of violations, while at the same time causing the minimum necessary degree of interference in the internal life of each country.

*d.* In the atomic energy field, the United Nations plan for international control of atomic energy and the prohibition of atomic weapons should continue to serve as the basis for any program, unless and until a better and more effective plan can be devised.

*e.* The program must be open for adherence to all States and initially it must include at least those States whose military resources are so substantial that their absence from the program would endanger it.

*f.* Once a program for the regulation, limitation and balanced reduction of all armed forces and armaments has been agreed upon in the United Nations, the details of the mutually agreed national programs under paragraph 2 *b* (3) above should be developed within the framework of the United Nations program through conferences under United Nations auspices.

3. In any honest program for regulation, limitation and balanced reduction of all armed forces and armaments, a first and indispensable step is a system for continuing international disclosure and verification of all armed forces and armaments. This means revealing in appropriate stages all armed forces—including para-military, security and police forces—and all armaments, including atomic, and providing for proper international inspection to verify the adequacy and accuracy of this information.

The United States believes that a proper system of disclosure and verification should be based on the following principles:

*a.* The system of disclosure and verification must be on a continuing basis. Disclosure as of a particular date on a "one time" basis and subsequent verification of such disclosure would not meet the requirements of a continuing program for regulation, limitation and balanced reduction of all armed forces and armaments.

*b.* The disclosure and verification should be carried out stage by stage, with appropriate provisions for proceeding to the next stage when, and only when, previous stages have been satisfactorily completed.

*c.* The early stages of the disclosure would have to include the numbers of all types of armed forces, including para-military, security and police forces, and the organized reserve components of those forces, as well as the types and amounts of armaments and matériel of such forces in service and reserve.

*d.* With respect to atomic energy, also, the disclosure would have to be carried out in stages.* The United States is aware that in due course this program would require the United States to disclose the atomic weapons in its possession. It is prepared to take such a step.

*e.* The United Nations should establish, at the time of the adoption of the general principles governing this program, the necessary inspection machinery to ensure effective verification of the armed forces and armaments, including those involving atomic energy, disclosed pursuant to the program.

4. When such a program is in force, there will be large savings in national military expenditures, which will become available for other purposes. States adhering to a disarmament program could then devote a substantial portion of the money and resources which would otherwise have been spent for military purposes to a great program to provide aid to those areas of the world which need help. This would make possible an intensified and concerted campaign under the auspices of the United Nations against poverty, hunger, disease and ignorance.

5. It is obvious that a disarmament program cannot be carried out while fighting continues in Korea. Discussions on the subject can, however, begin now. The United States desires to emphasize that disarmament proposals are intimately related to progress on the concurrent settlement of other political issues. The United States is ready to move forward on other political issues and, indeed, it is our view that we cannot permit our desire for a program of regulation, limitation and balanced reduction of all armed forces and armaments to blind us to the pressing need for finding ways to resolve other problems.

6. It is our desire to see a world in which international peace and security are assured. The present proposals for a program of regulation, limitation and balanced reduction of all armed forces and armaments will move us forward toward that objective.

7. We should all be willing to serve the cause of peace by deeds instead of words. The United States is prepared to begin negotiations in the United Nations on a system of continuing disclosure and verification of all armed forces and armaments as a necessary first step and an integral part of an honest program for the regulation, limitation and balanced reduction of armed forces to the level of, say, 1 percent of population—with a ceiling for any one country of one million—and with comparable restrictions on the armaments of such force.

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*Note: Further consideration is being given to the question of setting forth the stages at this time. [Footnote in the source text.]

761.5611/10–651 : Telegram

*The Chargé in the Soviet Union (Cumming) to the Secretary of State*

SECRET PRIORITY Moscow, October 6, 1951—6 p. m.

594. Fol are Emb's preliminary first thoughts on Stalin *Pravda* interview re atomic explosion.[1]

Interview is strong aggressive statement directed particularly to US with clearest statement yet Amers intent attack USSR with atomic bomb.

Statement must have come as considerable surprise to Sov citizenry who for years have been drilled in belief that Sov Union, altho having capacity produce anything anybody else can produce, concentrating all efforts in atomic research, as in other fields, to peaceful application for betterment mankind.

Stalin now talks of "atom bomb". Atomic explosions no longer are related to reworking nature as for example in Tass Sept 25, 1949 statement.[2] The world is put on notice that bombs of "different calibers" will be tested in future. Big brother apparently has matter well enough in hand now to warrant belligerent statement and assurance satellites and Sov people that armament gap has been spanned.

In good dialectical fashion unconditional prohibition of atomic weapon can only be achieved after Sov development of same in order to break Amer monopoly.

Tone of last answer re controls wld seem indicate that door no less firmly shut on possibility negot compromise atomic control.

Interesting perversion of Amer control plan. Attack is no longer based on invasion of sovereignty of nations. Plan is described only as permitting production atomic weapons by countries having necessary raw materials in the amount possible with such materials.

Perhaps statement is designed to frighten West into seeking "control" as proposed by USSR altho tone of statement is not really a call for agreement even along those lines. Interesting to note that there is no mention of UN or internatl aspect of control.

Statement cld be helpful to "peace campaign" to extent that it more attractive to Western fuzzy thinkers if USSR now presumably in possession equal atomic armament continues present self as main supporter campaign for peace among peoples of world.

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[1] On October 3, the White House announced that an atomic bomb had recently been exploded within the Soviet Union, the first such known occurrence since the initial Soviet test in 1949. For additional information, see editorial note on p. 773. On October 6, Marshal Joseph V. Stalin, President of the Council of Ministers of the Soviet Union, answered questions by a correspondent of *Pravda* regarding the recent atomic explosion. For text of this interview, see Denise Folliot, ed., *Documents on International Affairs, 1951* (London, Oxford University Press, 1954), pp. 341–42.

[2] The statement under reference, which confirmed reports that the Soviet Union now possessed atomic weapons, appears in telegram 2406 from Moscow, September 25, 1949, *Foreign Relations*, 1949, vol. v, p. 656. For other documentation on the Soviet test of 1949, see *ibid.*, vol. I, pp. 419 ff.

On basis published statement and information available here Service Attachés unable at this time comment on technical implications.

Dept pass Defense, London, Paris, Rome; sent Dept 594, rptd info London 81, Paris 163, Rome 16.

CUMMING

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IO Files, Lot 71 D 440 [1]

*Position Paper Prepared in the Department of State for the United States Delegation to the General Assembly*

CONFIDENTIAL [WASHINGTON,] October 9, 1951.

SD/A/C.1/375

INTERNATIONAL CONTROL OF ATOMIC ENERGY: IMPLEMENTATION OF THE REPORT OF THE COMMITTEE OF TWELVE RECOMMENDING MERGER OF THE ATOMIC ENERGY AND CONVENTIONAL ARMAMENTS COMMISSIONS [2]

THE PROBLEM

What course of action should be taken by the United States Delegation in order to implement the recommendation of the Committee of Twelve that the functions of the United Nations Atomic Energy Commission and the Commission for Conventional Armaments be merged in a new unified Commission whose function should be to carry forward the tasks presently assigned to these two existing Commissions?

RECOMMENDATIONS

1. The United States should introduce in the *Ad Hoc* Political Committee of the Sixth General Assembly a resolution setting forth in detail the organization and functions of a new unified Commission for the Control of Armaments and Armed Forces. A proposed resolution is attached as Annex A.[3]

2. The debate in Committee may reveal substantial objection to the functions of the unified Commission as proposed in the United States draft resolution, because of reference to the United Nations plan for the international control of atomic energy and the prohibition of atomic weapons serving as the basis for any plan in this field unless and until a better and no less effective system can be devised. In such

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[1] Documentation relating to United States participation in the sessions of the United Nations General Assembly, 1945–1965, retired by the Bureau of International Organization Affairs.

[2] *Post*, p. 552.

[3] Annex A is not printed. For text of the paper introduced on May 25, see *Documents on Disarmament, 1945–1959*, vol. I, pp. 271–273; or Department of State *Bulletin*, June 18, 1951, pp. 992–993.

event, the United States Delegation should hold firm to its position that there should be such reference to the United Nations plan, pointing out:

(*a*) that the new commission should continue to have the benefit of the Atomic Energy Commission's long discussion and mature consideration resulting in a plan approved by 53 United Nations Members.
(*b*) that the United States is perfectly willing to consider any other system in this field which is better and no less effective than the United Nations plan;
(*c*) that this does not prejudge other plans.

3. The United States Delegation should take every opportunity to point out the United States willingness to consider problems of disarmament as a whole instead of separating these problems into the atomic and non-atomic aspects of the general issue. The point should be made that the Soviet Union had originally maintained this view, whereas the United States had initially believed that the problem of conventional armaments should be considered separately from the control of atomic energy:

(*a*) because we recognized that the control of atomic energy posed unique problems of method quite different from the non-atomic field and, accordingly, should be dealt with separately by specially-qualified technicians;
(*b*) because we hoped that disarmament in the non-atomic field would find a more or less automatic solution in the rapid demobilization of the allied forces, which we had carried out in good faith until forced to rearm by Soviet attempts to achieve their objectives of world domination and extension of Communism;
(*c*) because the Atomic Energy Commission was making substantial progress in developing a plan for control of atomic energy, and we feared that considering in one Commission the problem of reduction and regulation of armed forces and non-atomic armaments would retard this progress.

Now, after we have concluded that any comprehensive system of armaments control should be considered by one body in order to bring the efforts of the Atomic Energy Commission and the Commission for Conventional Armaments into closer coordination, the Soviets have voted against the Committee of Twelve's proposal to this effect, while the United States not only voted in favor of this proposal but also took the initiative in introducing the resolution adopted by the Committee. This is another illustration of Soviet unwillingness to take the steps necessary to deal with the problems of disarmament, instead of talking about the need for disarmament and making specious proposals which the USSR does not intend to live up to and knows are unacceptable.

4. The United States Delegation should call on the Soviet Union to cooperate with and take part in the new unified Commission, in an attempt to attain honest and effective regulation, limitation and bal-

anced reduction of all armaments and armed forces, including international control of atomic energy to ensure the prohibition of atomic weapons and the use of atomic energy for peaceful purposes only. The Delegation should emphasize that Soviet actions in this respect will speak louder than Soviet words about their desire for peace.

COMMENT

1. Annex A is basically the United States paper introduced in the Committee of Twelve on May 25, 1951. Changes have been made to take account of comments on the United States paper made by Members of the Committee. These changes are directed towards:

(*a*) Eliminating the reference to formulating a plan for the regulation of the international traffic in arms (United Kingdom, Turkey).

(*b*) Enabling the new Commission to obtain advice from experts who are nationals of countries not represented on the Commission (China).

(*c*) Placing greater emphasis on the importance of the peaceful development of atomic energy, as well as specifically mentioning the prohibition of atomic weapons as an element of international control in this field (United Kingdom, China, Yugoslavia, Canada, India).

(*d*) Making it clear that, while the United Nations plan for the international control of atomic energy and the prohibition of atomic weapons should continue to serve as the basis for any plan in this field, the new Commission should consider any other plan and be willing to adopt it if better and not less effective and should not prejudge any new plan (Canada, Netherlands, Yugoslavia).

(*e*) Providing that the new Commission may make reports to both the Security Council and the General Assembly, in order to avoid the difficulty that the reports might be vetoed in the Security Council, as in the past, when the only recourse had been to append the record of the proceedings in the Commission in order to transmit the reports to the General Assembly (United Nations Secretariat).

2. Some opposition to the United States proposal will undoubtedly develop because of the provision in the section on the functions of the new Commission to the effect that the United Nations majority plan for the international control of atomic energy and the prohibition of atomic weapons should continue to serve as the basis for any plan for the control of atomic energy unless and until a better and no less effective system can be devised.

We should make it clear that this is a firm United States position. The Delegation should state that failure to base the new Commission's work in the atomic energy field on the United Nations plan would in effect deprive the new commission of the benefit of years of careful work on the part of the Atomic Energy Commission. We should point out that the United Nations plan in this field has been approved each year by an overwhelming majority of United Nations Members, actually all the Members except the Soviet bloc (See: Resolution 191

(III) 4 November 1948;[4] Resolution 299 (IV) 23 November 1949;[5] "Essentials of Peace" resolution (1949);[6] and 1950 "Peace Through Deeds" resolution).[7] The United States Delegation should emphasize the willingness of the United States to consider other plans in this field, without prejudging these plans.

3. The Soviet Union may be expected to introduce language which will attempt to give the new Commission terms of reference to develop plan for the (1/3) general reduction of arms and armed forces and prohibition of atomic weapons, and the implementation of these two objectives, *before* general regulation, limitation and reduction of all armaments and armed forces, including atomic energy. The Soviets will probably use language which will be apparently similar to that contained in the 13 [*14*] December 1946 resolution of the General Assembly, No. 41(I),[8] since this is the tactic which they adopted in the Committee of Twelve. It will be necessary to demonstrate the difference between the Soviet language and the language of resolution 41(I), the basic difference being that the General Assembly resolution talks of "regulation and reduction" whereas the Soviet language speaks only in terms of "reduction". Attached hereto as Annex B are the pertinent Soviet amendments to the resolution introduced by the United States in the Committee of Twelve.[9] These amendments were rejected by the Committee.

The United States Delegation should point out that this Soviet language puts forward concepts which have been rejected in the Atomic Energy Commission, the Commission for Conventional Armaments and each General Assembly. The concepts of "international control of all armaments and armed forces" and "regulation, limitation and balanced reduction" necessarily imply that there must be reduction of all armaments. The reference to "effective international control of atomic energy to the extent necessary to ensure the prohibition of atomic weapons and the use of atomic energy only for peaceful purposes" obviously means that atomic weapons would be prohibited. The Soviet language, however, is designed to force the new commission to work on the basis of the untenable Soviet thesis that the Big Five Powers should reduce their armed forces and armaments and that there should be destruction of all atomic weapons without effective control to ensure prohibition *instead of* considering the disarmament question as a whole.

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[4] Regarding Resolution 191 (III), see footnote 7, p. 446.

[5] For text of Resolution 299 (IV): International Control of Atomic Energy, see *Foreign Relations*, 1949, vol. I, p. 225.

[6] Regarding the "Essentials of Peace" resolution, see footnote 3, p. 518.

[7] Regarding the "Peace Through Deeds" resolution, see footnote 1, *ibid.*

[8] For text of Resolution 41(I), Principles Governing the General Regulation and Reduction of Armaments, December 14, 1946, see *Foreign Relations*, 1946, vol. I, pp. 1099–1102.

[9] Annex B is not printed. For the Soviet amendments, see report of the Committee of Twelve, October 23, p. 552.

The point should be made that the Soviet language would unduly restrict the new unified commission in its examination of the problem, by in effect establishing the way in which the commission must approach the general problems of regulation, limitation and balanced reduction of all armaments and armed forces, including atomic energy. The commission should be left the maximum degree of flexibility in considering and co-ordinating the problems in the atomic and non-atomic fields.

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Disarmament Files, Lot 58 D 133

*Memorandum of Conversation, by Mr. Howard Meyers of the Office of United Nations Political and Security Affairs*

TOP SECRET [WASHINGTON,] October 16, 1951.

Subject: Working Papers Advancing Disarmament Proposals on the Basis of NSC 112.

Participants: Mr. C. A. Gerald Meade, Counselor, UK Embassy
Miss Barbara Salt, First Secretary, UK Embassy
Mr. J. H. A. Watson, First Secretary, UK Embassy
Mr. John D. Hickerson, UNA
Mr. B. G. Bechhoefer, UNP
Mr. Howard Meyers, UNP

Mr. Meade reported that he had just received a telegram from his Foreign Office stating that the Foreign Office had tentatively concurred in the United States working paper [1] cabled there from Washington by Mr. Hohler following the UK–US conferences the week of October first; that the Foreign Office hoped to make favorable recommendations to the Cabinet Ministers early next week. London underscored the need to give the French at the earliest date US–UK detailed views on these disarmament proposals. The Foreign Office thought that an advance warning of the fact that detailed proposals would be forthcoming should be made to the French, and that it would be better for the United States to do this. The United Kingdom Ambassador in Paris might be instructed to cooperate with Ambassador Bruce in giving this advance warning, and London would ask his views in this respect.

Mr. Hickerson explained that we had cabled Ward Allen of EUR, who had taken to Paris a copy of the draft working paper on disarmament proposals, not to leave this paper with Ambassador Bruce pending further instructions from the Department. There were certain difficulties here which had to be resolved before any approaches could be made to the French, and the draft paper worked out with the

[1] Reference is to the Agreed United States–United Kingdom Working Level Paper, p. 534.

British group might be subject to some amendments. He hoped that the UK would not instruct its Ambassador in Paris to give any advance warning to the French that we would present detailed disarmament proposals to them, until matters were more definite here in Washington.

Mr. Meade said that he would inform the Foreign Office immediately that the United States desired the United Kingdom Ambassador in Paris to hold off making any such approach, just as Ambassador Bruce would defer any action until further word. He remarked that, in regard to the matter of informing the French that there would be proposals forthcoming, the Foreign Office believed that the four older Commonwealths (Canada, Australia, New Zealand, South Africa) should be informed that the United States and the United Kingdom were contemplating such action—this notice to be given at the same time the French received advance warning of the approach.

Mr. Hickerson said that the Department would consider this question of informing the four Commonwealth countries and communicate our views to the British Embassy as soon as possible. He read from the speech delivered by President Truman at Wake Forest College in North Carolina that afternoon,[2] regarding the willingness of the United States to sit down and discuss armaments questions with Russians, and assured Mr. Meade and [*that?*] this was not the opening move advancing the disarmament proposals discussed previously with the British. He emphasized that the speech had been written by people who did not know anything about the discussions which had taken place with the United Kingdom officials, and that he, himself, had not seen a copy of the speech until that morning, when it was too late to do anything in regard to changing the language of the speech.

[2] For text, see *Public Papers of the Presidents of the United States: Harry S. Truman, 1951*, pp. 574–579.

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Disarmament Files, Lot 58 D 133

*Memorandum by the Assistant Secretary of State for United Nations Affairs (Hickerson) to the Secretary of State* [1]

TOP SECRET [WASHINGTON,] October 18, 1951.

Subject: Regulation of Armed Forces and Armaments

*Discussion:*

On October 5, 1951 I submitted for your consideration the outline of a program for regulation, limitation and balanced reduction of all armed forces and armaments. The background for this program and

[1] A notation on the source text indicates that this memorandum was seen by the Secretary of State on October 18.

the contemplated tactics for its presentation were described in a covering memorandum (Tab A).[2] As a result of the discussion in your office on October 11,[3] the paper has been revised (Tab B).[4] The most important changes are as follows:

1. The revised paper indicates that concurrently with putting into force a system of regulation, limitation and balanced reduction of armed forces and armaments there must be settlement of major international political issues. It was generally agreed by interested Bureaus that it would be inadvisable to list any specific political issues other than Korea.
2. The revised paper stresses even more strongly than did the earlier draft the necessity of continued efforts of the free world to develop the strength required for its security pending achievement of an effective system for regulation, limitation and balanced reduction of armed forces and armaments.
3. The revised paper lays greater emphasis on the program of disclosure and verification on a continuing basis as an indispensable first step toward regulation, limitation and balanced reduction of armed forces.

The general view of those who have participated in the discussion of this paper both in the Department of State and the Department of Defense has been that the U.S. should proceed with the introduction of this program into the UN.

You will note that the footnote on page 3 contains an alternative wording for paragraph 4 *c* (1).[5] The consensus of opinion among the participants in discussion of this paper was that for a number of reasons the program should avoid a reference to specific figures as to maximum level of armed forces. I feel quite strongly that a large part of the gains which we expect to achieve through introduction of the program would be lost unless some mention were made of specific figures. I likewise feel that the figures are surrounded with sufficient qualifications so that there is no danger in their use. I am accordingly suggesting the alternative paragraph set forth in the footnote.

Frank Nash indicated that Defense could accept the program either with the 1% and one million ceiling or without it; he stated that his

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[2] For the memorandum of October 5 and its attachment, see p. 533.

[3] No record of the meeting of October 11 has been found in Department of State files.

[4] Tab B, an October 18 redraft of "Outline of Program for Regulation, Limitation and Balanced Reduction of All Armed Forces and Armaments," is not printed. For the version of this document which received the approval of President Truman on October 23, see telegram 2418 to Paris, October 24, p. 559.

[5] Subparagraph 4 *c* (1) of Tab B reads as follows: "Limiting the size of armed forces, including para-military and security forces to a fixed percent of population, and establishing a ceiling for any one country of an agreed maximum figure." The alternative wording reads as follows: "Limiting the size of armed forces, including para-military and security forces to, say, 1 percent of population, and establishing a ceiling for any one country of, say, 1 million."

task in finally clearing the program with Defense would be a little easier if the figures were not specified. Nash added, however, that he himself strongly favored specifying the figures.

*Recommendation:*

I am anxious that you should consider this program as soon as possible and if you approve it that you should make the necessary arrangements for its approval by the President. The time schedule is extremely tight since the program must be presented at the opening of the General Assembly, November 6, and since considerable preparatory work including discussions with the British and French remains.

*Concurrences:*

This program has been approved by SP, SAE, EUR, G, C, and P.

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611.0012/10-1851

*Memorandum by the Special Assistant to the Secretary of State (Battle)*[1]

TOP SECRET [WASHINGTON,] October 18, 1951.

The Secretary has been over the attached on regulations of arms and armaments.[2] He says that he is willing to discuss it with the President and thinks the paper is all right except as noted below:

1. He prefers leaving out the definite figures in Paragraph 4 *c* (1).

2. With regard to Paragraph 5 on page 3,[3] he believes that it would be preferable not to get into questions of budgets, etc. He thinks that the paragraph, as drafted, is somewhat dishonest and that this would probably not be the actual result of any savings in the military expenditures. He suggested wording, as follows:

> "5. If such a program could be put into effect, it would lift the immense burden of military expenditures which now presses

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[1] A handwritten notation on the source text indicates that copies of this memorandum were transmitted to John D. Hickerson, Assistant Secretary of State for United Nations Affairs; R. Gordon Arneson, Special Assistant to the Secretary of State for atomic energy policy; Paul H. Nitze, Director of the Policy Planning Staff; George W. Perkins, Assistant Secretary of State for European Affairs; H. Freeman Matthews, Deputy Under Secretary of State for Political Affairs; Charles E. Bohlen, Counselor; and Edward W. Barrett, Assistant Secretary of State for Public Affairs.

[2] Reference is to Hickerson's memorandum to the Secretary of State, *supra*, and its attachments.

[3] Paragraph 5 of the October 18 "Outline of Program" (Tab B to the Hickerson memorandum of October 18) reads as follows: "If such a program were in force, there would be large savings in national military expenditures. States adhering to a disarmament program could then devote a substantial portion of the money and resources which would otherwise have been spent for military purposes to a great program to provide aid to those areas of the world which need help. This would make possible an intensified and concerted campaign under the auspices of the United Nations against poverty, hunger, disease and ignorance." (Disarmament Files, Lot 58 D 133)

on nearly all peoples of the world. This burden has necessitated in all countries the postponement of great constructive programs of reconstruction and development which had been planned nationally and internationally. New hope and opportunity would be given everywhere for better conditions of life. Within developed countries new resources for peaceful production could be put to work. And in underdeveloped areas of the world the United Nations could undertake an intensified and concerted campaign against poverty, hunger, disease and ignorance."

3. In Annex A,[4] Paragraph *d*, it is stated that the United States is aware that in due course this program would require the United States to disclose the atomic weapons in its possession. The paragraph then says that it is prepared to take such a step. Mr. Acheson says that he does not believe that legally we are prepared to take such a step. He says such a step would be illegal. He wants Mr. Arneson and any other person concerned to consider carefully this particular portion.

[4] Reference is to Annex A to the October 18 version of the "Outline of Program." See p. 562.

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600.0012/10-2251

*Memorandum by the Secretary of State to the President*

TOP SECRET [WASHINGTON,] October 22, 1951.

Subject: Possible United States Program in the Sixth General Assembly Proposing Regulation of All Armed Forces and Armaments

1. In your speech to the Fifth General Assembly on October 24, 1950, and in several subsequent speeches, you emphasized the need for exploring every avenue offering any chance of bringing success to United Nations activities in the disarmament field. Since this time, much consideration has been given in the Departments of State and Defense to the substance of a program for regulation, limitation and balanced reduction of all armed forces and armaments. The attached outline of such a program reports the views of the Department of State, based on NSC 112, and has been informally and tentatively cleared with the Department of Defense.[1]

2. It is the Department's belief that the Union of Soviet Socialist Republics will probably introduce in this coming General Assembly

[1] The attachment, "Outline of Program for Regulation, Limitation and Balanced Reduction of All Armed Forces and Armaments," October 19, not printed, does not accompany the source text. The memorandum for the President and the attachment are present in the Disarmament Files, Lot 58 D 133. For the version of the "Outline of Program" which was approved by President Truman, see telegram 2418 to Paris, October 24, p. 559.
For NSC 112, July 6, see p. 477.

some disarmament proposals. These may take the form of advocating a one-third reduction of armed forces by the Big Five and destruction of atomic weapons, plus a call for a Five Power Peace Pact. While in past General Assemblies the United States has taken the line of demonstrating the dishonesty of similar Soviet appeals, I think there is much to be gained by a positive approach—that is, by putting forward our own proposals.

3. Simultaneously with our efforts, the United Kingdom has been developing its own disarmament proposals. At the United Kingdom's request, Department of State and British Foreign Office officials have held informal working-level discussions on tentative British and United States programs. The Foreign Office has indicated that the United Kingdom would like to join with the United States in presenting a disarmament program to the Sixth General Assembly. While the United Kingdom officials have not seen the particular paper attached hereto, they know the Department's general views and probably would join the United States in bringing such a program to the General Assembly. I think we should invite both the British and the French to join with us in this presentation.

4. If you approve of this program, I believe that the proposals should be presented in the following manner:

*a*) Identical statements containing a brief explanation of the program should be released simultaneously by the United States, United Kingdom and France on or about November 7. The Department believes it would be advisable that you make a speech at that time expanding the tripartite statement in the light of our domestic situation, and explaining our willingness to disarm but our unshakable determination to build up our strength until Soviet good faith is proved and a dependable agreement enters into force.

*b*) The program would be elaborated in my opening statement in the general debate at the commencement of the General Assembly, and also through statements made by the United Kingdom and France. I would attempt to speak first, and we would endeavor to see to it that the United Kingdom and France also speak before Vyshinsky.

*c*) We would request that this matter be considered by the General Assembly as an additional item to be included on the agenda as a matter of urgency and importance.

*Recommendation*

I recommend that you approve of this program and its presentation to the General Assembly along the lines set forth above. In view of the short time remaining before the opening of the General Assembly, I am anxious that you consider the program as soon as possible.

DEAN ACHESON

Disarmament Files, Lot 58 D 133

*Memorandum of Conversation, by the Secretary of State*

TOP SECRET [WASHINGTON,] October 22, 1951.

MEMORANDUM OF CONVERSATION WITH THE PRESIDENT

Item 1. *Disarmament Proposal*

I left with the President the memorandum relating to the disarmament proposal.[1] After outlining to him the recommendations made, I reminded him of the fact that in Annex A to the NSC paper we had put in for illustrative purposes the figures of one per cent of the population or a million men, whichever was less.[2] I said that we had left it out in the document presented to him, and that there were some reservations about it in the Defense Department. I pointed out that some of my advisors believe that some illustrative figures would have to be mentioned or that the proposal would lose its impact without concrete illustration. I asked the President to consider the possible use of the amendment which had been handed to me by Mr. Hickerson and Mr. Jessup.[3] The President will consider the whole matter and wishes to have another appointment with me before I go.[4]

I think Mr. Battle should arrange this with Matt Connelly [5] for an hour tomorrow or Wednesday after the President has had a chance to read the memorandum.

D[EAN] A[CHESON]

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[1] *Supra.*

[2] See subparagraph 36(*a*) of Annex A to document NSC 112, July 6, p. 493.

[3] Reference is to the following amendment suggested by Philip C. Jessup, Ambassador at Large, which is attached to the file copy of the October 19 draft "Outline of Program," not printed:

"Add to 4*c* (1): 'To illustrate: if the ratio were established at 1% of the population and the ceiling at 1 million, countries having a population of 100 million or over would be entitled to a maximum force of 1 million and countries with a population of less than 1 million would have proportionately smaller forces.'" (Disarmament Files, Lot 58 D 133)

[4] Regarding further consideration of the matter on October 23, see editorial note, p. 551. Acheson departed by ship for Europe on October 25.

[5] Matthew J. Connelly, Secretary to the President.

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Disarmament Files, Lot 58 D 133

*The Secretary of Defense (Lovett) to the Secretary of State*

TOP SECRET WASHINGTON, 23 October 1951.

DEAR MR. SECRETARY: On 19 October, the Assistant Secretary of State for United Nations Affairs forwarded to this department, for formal clearance, a draft outline of a program for the regulation, limi-

tation and balanced reduction of all armed forces and armaments.[1] The draft outline was submitted to the Joint Chiefs of Staff for comment. Their comments are set forth in the enclosed memorandum to the Secretary of Defense from the Chairman of the Joint Chiefs of Staff, dated 22 October 1951.

Sincerely yours,

For the Secretary of Defense:
K. R. Kreps
*Colonel, USAF, Deputy Director*
*Executive Office of the Secretary*

[Enclosure]

*Memorandum by the Joint Chiefs of Staff to the Secretary of Defense (Lovett)*

TOP SECRET

Washington, 22 October 1951.

Subject: Outline of Program for Regulation, Limitation and Balanced Reduction of All Armed Forces and Armaments

1. In accordance with the request contained in your memorandum dated 20 October 1951,[2] the Joint Chiefs of Staff have considered the draft position paper prepared by the Department of State on the above subject. The Joint Chiefs of Staff concur generally therein subject, however, to incorporation of changes along the following lines (changes indicated in the usual manner):

*a.* Change the second sentence of paragraph 2 to read:

"However, all States should consider seriously whether steps can be taken to find ways of easing the armaments burden as methods are found to ~~call a halt to the fighting~~ *bring about a peace* and international tensions are relaxed."

*Reason:* A "halt to the fighting" in Korea would result at the time of conclusion of an armistice. However, the cessation of fighting might well be only of a temporary nature. The Joint Chiefs of Staff would not agree to entering into negotiations as outlined in the basic paper until a peace, not a temporary cessation of hostilities, had become effective in Korea.

*b.* Change the second sentence of paragraph 3 to read:

"This means revealing in appropriate stages all armed forces—including para-military, security and police forces—and all arma-

[1] The letter of transmittal from John D. Hickerson, Assistant Secretary of State for United Nations Affairs, to Frank C. Nash, Assistant to the Secretary of Defense for International Security Affairs, forwarded the October 19 draft "Outline of Program for Regulation, Limitation and Balanced Reduction of All Armed Forces and Armaments." Neither the letter nor the enclosure is printed. (Disarmament Files, Lot 58 D 133) For the "Outline of Program" in the form approved by President Truman, see telegram 2418 to Paris, October 24, p. 559.

[2] Not printed.

ments, including atomic, and providing for proper *and progressive* international inspection to verify the adequacy and accuracy of this information."

*Reason:* To emphasize the fact that inspection and verification must be conducted on a continuing basis with a scope enlarging with the degree of disclosure.

*c.* Change the third sentence of paragraph 3 to read:

"It is necessary for each State to ~~know~~ *disclose* the level of *its* armed forces and armaments ~~of every other State~~ in order to ~~be certain~~ *permit a determination* that ~~the~~ *its* armed establishment ~~of each State~~ is really for defense and not to menace others."

*Reason:* For clarity. The implication and meaning of this sentence in the basic paper are not clear.

*d.* Delete paragraph 4*c* in its entirety and reletter subsequent subparagraphs accordingly.

*Reason:* The Joint Chiefs of Staff hold to their view that no reference should be made or implied at this time as to a possible formula upon which the level of armaments and armed forces might be based. While the size of the national military establishment does bear a relationship to the population and to the national product as a whole, the Joint Chiefs of Staff are unwilling to accept reference to a formula based upon percentages of the national resources to be employed for the military establishment. Furthermore, the adoption of population factors as a criteria for determining future force levels and armaments would appear most unfavorable from a U.S. viewpoint. It is, therefore, considered that the factor of population as a yardstick for determining appropriate armament levels should be judiciously avoided. Again, it is believed that specific figures, such as "5 percent", would inevitably be seized upon by other nations as a statement indicating the United States position on the matter. With respect to the composition of armed forces and armaments, the Joint Chiefs of Staff are unwilling to agree to any United States position which would tend to prevent the United States from apportioning its armed forces among the three Services in such a manner as the strategic position of the United States may dictate. The United States must retain the right to apportion its forces and armaments so as best to overcome its relative deficiencies in manpower and to capitalize upon its industrial strength.

*e.* Change subparagraph 4*f*, relettered subparagraph 4*e*, to read as follows:

"Once a program for the regulation, limitation and balanced reduction of all armed forces and armaments has been agreed upon in the United Nations, the details of the mutually agreed *several* national programs should be developed within the framework of the United Nations program through conferences under United Nations auspices."

*Reason:* For clarity.

*f.* Change the last sentence of paragraph 7 to read as follows:

"Such negotiation, if good faith is consistently demonstrated, may *then* lead to *a workable* agreement ~~that armed forces should~~

~~be limited, to the level of a fixed percent of population with a ceiling for any one country of an agreed maximum figure and with comparable restrictions on the armaments of such forces~~ *for the limitation of armed forces.*"

*Reason:* Same as for the deletion of subparagraph 4 *c* (as stated in subparagraph 1 *d* above).

2. The Joint Chiefs of Staff suggest the following additional minor changes:

*a.* Insert the words "None the less" at the beginning of the second sentence of paragraph 1; and

*b.* Insert the word "such" between the words "conclusion of" and "an effective" in first line of paragraph 8.

For the Joint Chiefs of Staff:
OMAR N. BRADLEY
*Chairman*
*Joint Chiefs of Staff*

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*Editorial Note*

At its 106th Meeting, October 23, 1951, the National Security Council considered the question of a proposal for limitation of armed forces and armaments to be submitted at the Sixth Session of the United Nations General Assembly. The Council discussed the subject in the light of an oral report by Secretary of State Acheson. It was then noted that the Secretaries of State and Defense would undertake to reach agreement for submission to the President, regarding the position of the United States Delegation at the General Assembly with respect to a proposal for limitation of armed forces and armaments, in accordance with the policy established in NSC 112 (page 477). (NSC Action No. 578: S/S–NSC Files, Lot 66 D 95) No further record of the NSC meeting has been found in Department of State files.

A memorandum of October 24, not printed, from W. J. McWilliams, Director of the Executive Secretariat of the Department of State, to William J. Hopkins, White House Clerk, indicates that on October 23 the President and the Secretary of State discussed the limitation of armaments proposal following the NSC meeting, and that during the conversation the President handed down certain unspecified decisions (600.0012/10–2451). No other record of this Truman–Acheson meeting has been found in Department of State files.

Disarmament Files, Lot 58 D 133

*Report of the Committee of Twelve to the General Assembly*

A/1922 [Paris,] 23 October 1951.

Report of the Committee of Twelve (Established by General Assembly Resolution 496 (V))[1] to the General Assembly

*Rapporteur*: Mr. J. M. A. H. Luns (Netherlands)

1. The General Assembly, at its 323rd plenary meeting on 13 December 1950, adopted by 47 votes to 5, with 3 abstentions, resolution 496(V) establishing a committee of twelve, consisting of representatives of the members of the Security Council as of 1 January 1951, together with Canada, to consider and report to the next regular session of the General Assembly on ways and means whereby the work of the Atomic Energy Commission and the Commission for Conventional Armaments may be co-ordinated and on the advisability of their functions being merged and placed under a new and consolidated disarmament commission.

2. The Committee of Twelve considered this question at nine meetings held between 14 February and 28 September 1951.

3. At the first meeting (14 February 1951), the representative of the Union of Soviet Socialist Republics presented a draft resolution inviting the representative of the Central People's Government of the People's Republic of China to take part in the work of the committee as the representative of China.

4. The representative of the United States of America moved, pursuant to rule 115 of the rules of procedure of the General Assembly, that discussion of the proposal of the representative of the Union of Soviet Socialist Republics to unseat the representative of the Chinese Nationalist Government and seat the representative of the Chinese Communist régime be postponed until the General Assembly had taken action.

5. The United States motion for postponement was adopted by 9 votes to 1, with 2 abstentions.

6. At the fourth meeting (25 May 1951) the representative of the United States of America proposed that the Secretariat be instructed, after consultation with the *Rapporteur*, to prepare summaries of the discussions relating to disarmament conducted by the League of Nations.

7. The United States proposal was adopted by 11 votes to 1.

8. In accordance with the decision noted in paragraph 6 above, the *Rapporteur* submitted working papers which had been prepared by the Secretariat in consultation with him as follows: At

[1] For text of Resolution 496(V), see *Foreign Relations*, 1950, vol. I, p. 124.

the fifth meeting (31 July 1951), "Historical survey of the activities of the League of Nations regarding the question of disarmament, 1920–1937" (A/AC.50/2 and A/AC.50/2 Corr.1); at the sixth meeting* (10 August 1951), "(1) The organization and scheme of work of the League of Nations in the matter of disarmament; (2) Treatment of the question of chemical and bacteriological warfare in the League of Nations; (3) The exchange of information on armaments under the League of Nations" (A/AC.50/3 and A/AC.50/3 Corr.1).

9. Also at the fourth meeting (see paragraph 6 above), the representative of the United States of America submitted a document† entitled "General views of the United States with respect to the co-ordination of the work of the Atomic Energy Commission and the Commission for Conventional Armaments".

10. At the sixth meeting (10 August 1951), the representative of the United States of America submitted the following draft resolution, as amended (A/AC.50/4/Rev.1):

"*The Committee of Twelve*,

"*Recalling* that the General Assembly in its resolution 496(V), adopted on 13 December 1950, established the Committee of Twelve to consider and report to the next regular session of the General Assembly on ways and means whereby the work of the Atomic Energy Commission and the Commission for Conventional Armaments may be co-ordinated and on the advisability of their functions being merged and placed under a new and consolidated disarmament commission,

"*Recognizing* that comprehensive and co-ordinated plans for the international control of all armaments and armed forces, including atomic energy, should be developed by the United Nations,

"*Believing* that such comprehensive and co-ordinated plans of control should make possible with appropriate safeguards the regulation, limitation and balanced reduction of all armaments and armed forces, including internal security and police forces, and the effective international control of atomic energy to ensure its use for peaceful purposes only,

"*Recalling* that a plan has been developed in the United Nations Atomic Energy Commission, and approved by the General Assembly, for the international control of atomic energy, which would make effective the prohibition of atomic weapons, and that much useful planning work has been accomplished in the Commission for Conventional Armaments,

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*See document A/AC.50/SR.5, page 2. [Footnote in the source text.]

† See document A/AC.50/1 appended to document A/AC.50/SR.4 which is contained in the annex to the present document. [Footnote in the source text. The annex is not printed here, but for text of the United States paper, see *Documents on Disarmament, 1945–1959*, vol. I, pp. 271–273; or Department of State *Bulletin*, June 18, 1951, pp. 992–993.]

"*Finding* that the appropriate time has now arrived for bringing the respective efforts of the two commissions into closer co-ordination through the establishment of a single commission,

"*Recommends to the General Assembly*

"1. That it establish a new commission, to be known as the Commission for the Control of Armaments and Armed Forces, which should be under and report to the Security Council, in order to carry forward the tasks presently assigned to the Atomic Energy Commission and the Commission for Conventional Armaments:

"2. That the Atomic Energy Commission and the Commission for Conventional Armaments should be dissolved by appropriate action upon the establishment of the new commission."

11. At the seventh meeting (23 August 1951), the representative of the Union of Soviet Socialist Republics submitted the following amendments (A/AC.50/5) to the United States draft resolution:

"1. In the second paragraph, after the words 'and co-ordinated plans for' insert the words: 'the general reduction of armaments and armed forces, the prohibition of the atomic weapon and other means of mass destruction, and'.

"2. In the third paragraph, after the words 'and co-ordinated plans' delete the word 'of' and insert the words: 'for the general reduction of armaments and armed forces, the prohibition of the atomic weapon and other means of mass destruction, and':

"After the word 'control' insert the words 'of their execution':

"After the words 'police forces' insert the words: 'the prohibition of the atomic weapon,'.

"3. Delete the fourth paragraph of the draft resolution.

"4. In paragraph 1 of the operative part of the draft resolution, replace the words 'for the Control of Armaments and Armed Forces' by the words 'on Atomic Energy and Conventional Armaments'."

12. At the eighth meeting (29 August 1951), the draft resolution and amendments were put to the vote:

(*a*) The Union of Soviet Socialist Republics amendments:

The first amendment was rejected by 9 votes to 1, with 2 abstentions.

The second amendment was rejected by 9 votes to 1, with 2 abstentions.

The third amendment was rejected by 9 votes to 2, with 1 abstention.

The fourth amendment was rejected by 9 votes to 1, with 2 abstentions.

(*b*) The United States verbal amendment to delete the phrase "to be known as the Commission for the Control of Armaments and Armed Forces" from paragraph 1 of the operative part was adopted by 11 votes to 1.

(*c*) The United States draft resolution:

The first paragraph of the preamble was adopted by 11 votes to 1.

The second paragraph was adopted by 10 votes to 1, with 1 abstention.

The third paragraph was adopted by 10 votes to 1, with 1 abstention.

The fourth paragraph was adopted by 9 votes to 1, with 2 abstentions.

The fifth paragraph was adopted by 11 votes to 1.

The operative paragraphs, as amended, were adopted by 11 votes to 1.

The draft resolution as a whole was adopted by 11 votes to 1.

13. The resolution as adopted (A/AC.50/6) follows:

"*The Committee of Twelve*,

"*Recalling* that the General Assembly in its resolution 496(V), adopted on 13 December 1950, established the Committee of Twelve to consider and report to the next regular session of the General Assembly on ways and means whereby the work of the Atomic Energy Commission and the Commission for Conventional Armaments may be co-ordinated and on the advisability of their functions being merged and placed under a new and consolidated disarmament commission,

"*Recognizing* that comprehensive and co-ordinated plans for the international control of all armaments and armed forces, including atomic energy, should be developed by the United Nations,

"*Believing* that such comprehensive and co-ordinated plans of control should make possible with appropriate safeguards the regulation, limitation and balanced reduction of all armaments and armed forces, including internal security and police forces, and the effective international control of atomic energy to ensure its use for peaceful purposes only,

"*Recalling* that a plan has been developed in the United Nations Atomic Energy Commission, and approved by the General Assembly, for the international control of atomic energy, which would make effective the prohibition of atomic weapons, and that much useful planning work has been accomplished in the Commission for Conventional Armaments,

"*Finding* that the appropriate time has now arrived for bringing the respective efforts of the two commissions into closer co-ordination through the establishment of a single commission,

"*Recommends to the General Assembly*

"1. That it establish a new commission, which should be under and report to the Security Council, in order to carry forward the tasks presently assigned to the Atomic Energy Commission and the Commission for Conventional Armaments;

"2. That the Atomic Energy Commission and the Commission for Conventional Armaments should be dissolved by appropriate action upon the establishment of the new commission."

14. At the ninth meeting (28 September 1951), the Committee decided to annex the summary records of its meetings to its report.

ANNEX‡

Summary records of the meetings of the Committee of Twelve (A/AC.50/SR.1 to /SR.9 inclusive). (Document A/AC.50/1 is appended to document A/AC.50/SR.4.)

‡ General distribution has already been made of the documents mentioned in paragraph 8—"Historical survey of the activities of the League of Nations regarding the question of disarmament, 1920–1937"; "(1) The organization and scheme of work of the League of Nations in the matter of disarmament; (2) Treatment of the question of chemical and bacteriological warfare in the League of Nations; (3) The exchange of information on armaments under the League of Nations". [Footnote in the source text. The annex, consisting of the summary records, is not printed here.]

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600.0012/10-2451

*Memorandum of Conversation, by Mr. Howard Meyers of the Office of United Nations Political and Security Affairs*

TOP SECRET [WASHINGTON,] October 24, 1951.

Subject: Disarmament Proposals on the Basis of NSC 112

Participants: Defense—Mr. F. C. Nash
UNA—Mr. J. D. Hickerson
S/A—Mr. P. C. Jessup
S/P—Mr. J. A. Ferguson
S/AE—Mr. J. Chase
EUR—Mr. W. P. Allen
UNP—Mr. B. G. Bechhoefer
Mr. H. Meyers

Mr. Hickerson explained that the President yesterday had decided that our program for regulation of armaments should leave out any reference to any specific percentage and numeral limitations in paragraph 4 *c*,[1] but should retain the general concepts therein expressed without specific figures.

Drafting changes were agreed upon by those present.

Mr. Hickerson said that, regarding the tri-partite approach, he would give the United Kingdom Embassy this afternoon a copy of the paper as now revised, saying that this was a finally agreed United States paper. He would explain that the United States was not prepared to mention specific percentages in paragraph 4 *c* or elsewhere, this having been decided by the President. He would state that the

[1] See the "Outline of Program" contained in telegram 2418 to Paris, October 24, p. 559.

United States was prepared to announce the program itself; that we would like the United Kingdom and France to join with us; that we realized there was no time for changes to be made in the basic paper, and were exceedingly sorry that the pressure of time has created this situation. Since the General Assembly would meet so shortly,[2] the United States was reluctant to invite the French to join in sponsoring the program unless the United Kingdom would wish to join. If the United Kingdom did not wish to take part in presenting this program, then the United States would not ask France to join in such presentation without United Kingdom participation.

Mr. Hickerson suggested that, if the United Kingdom would join with us in sponsoring the program, we should immediately telegraph the text of this paper to Ambassador Bruce in Paris and ask him to take up the matter with Mm. Schuman,[3] Parodi and Derose. If the United Kingdom bought the program, Howard Meyers should fly to Paris immediately and go with Ambassador Bruce to see the French. If both the United Kingdom and the French wished to join in this program, then we should start drafting the tri-partite statement in Paris, based on the present paper.

Mr. Jessup suggested that the British and the French could be told that joining in sponsoring this program did not mean a commitment to the program, and that there would be no limitation on them in future amplification of the program. Thus, the British and French could join with the United States in saying that this was a program the details of which obviously should be left to the new unified commission which should be created as a result of the recommendations of the Committee of Twelve. The United Kingdom and France could say that the program seemed to be a good idea, without saying that they supported it in all details.

Mr. Allen expressed his support for Ambassador Jessup's idea and added that he thought that there was too little time left to follow in all details the approach suggested above by Mr. Hickerson. He thought that we should give copies of this paper almost simultaneously to the British and French, and say to the French that we had just given our paper to the British. This would be a truthful statement, since the present paper was a considerable change from the one which the British had last seen and worked on informally with us. We could say to the French that we would like both France and the United Kingdom to join with us in sponsoring these proposals; that if we cannot do this, the United States will go ahead itself.

Mr. Hickerson thought that this was a good alternative.

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[2] The Sixth Session of the United Nations General Assembly opened in Paris on November 6.

[3] Robert Schuman, French Minister of Foreign Affairs.

Mr. Ferguson added that the British would be unable to give an answer[4] to this paper tomorrow, as October 25 was the day of their general election. Consequently, he supported Mr. Allen's suggestion.

It was agreed that a determined effort should be made to obtain formal clearance from Mr. Acheson and Mr. Lovett by this afternoon. The texts would then be handed to the United Kingdom Embassy and telegraphed to Ambassador Bruce in Paris. Howard Meyers would leave tomorrow by plane for Paris to be present and aid Ambassador Bruce when the program was discussed with the French.

[4] The British general election of October 25, 1951, was won by the Conservative Party. As a result, Winston S. Churchill succeeded Clement R. Attlee as Prime Minister, and Anthony Eden replaced Herbert S. Morrison as Secretary of State for Foreign Affairs.

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600.0012/10-2451: Telegram

*The Secretary of State to the Embassy in France*[1]

TOP SECRET PRIORITY WASHINGTON, October 24, 1951—7:47 p.m.

2417. No distribution. For Amb and Bonsal.[2] In preparation for forthcoming GA we have been considering some initiative by Western Powers in field of regulation and control of armaments. As result these studies, President on October 23 approved series of proposals for presentation to GA. These embodied in next following tel.[3]

We believe it highly desirable that if agreement can be reached, such proposals be put forward jointly by US, UK and Fr. We have in mind that short identical statements might be issued by the three Govts on about Nov 7. This statement may be amplified for US public by President at time of issuance. More detailed statement of proposals as set forth in reftel would then be made in opening speeches of Acheson and other two FonMins at GA.

Earlier this month some preliminary consultations were held in Wash on this problem with UK Reps. However, US position as set forth in reftel is significant departure from previous discussions with British and may not be acceptable to them. A principal element in UK thinking has been necessity for propaganda purposes of presenting as the central point, a specific proposal for disarmament which would involve the reduction of all armed forces to a specified percentage of population, and restriction of national production for military purposes to specified percentage of national product. US cannot agree to this and in reftel all reference to specific percentage is omitted and principal emphasis is placed on system of disclosure and verification of armaments as indispensable first step.

[1] Also sent to London as telegram 2176 for Ambassador Walter S. Gifford and Julius C. Holmes, Minister of the Embassy.

[2] Philip W. Bonsal, Minister Counselor of Embassy.

[3] *Infra.*

Final US position being given UK Emb here 5 pm Oct 24. No immediate action necessary by AmEmb London but ForOff may raise problem with Amb.

Amb Bruce pls transmit contents reftel to Schuman personally soonest. Pls express regret that we have not been able approach Fr this matter sooner but point out Presidential approval obtained only Oct 23. Pls express our view that if agreement can be obtained we think it highly preferable for proposals to be presented jointly by Fr, UK and US. You may state matter therefore also being raised with UK (without disclosing previous preliminary US–UK consultations). In discussing proposal with Schuman suggest you make clear, as we are with UK Emb here, that tripartite agreement on text of proposals in reftel and text short identical statements would not preclude each Del in course GA discussion making additional points of detail or varying emphasis. Pls make clear to Schuman, as we have with UK Emb here, that if either UK or Fr unable join, we wld probably prefer proceed by ourselves in presentation to GA.

UK are informing their Amb in Paris. Amb Bruce pls advise ur UK colleague at time ur initial approach to Schuman, but do not delay ur approach if this impracticable. John Ferguson, Dep Dir Planning Staff arriving Paris Friday [4] for few days to give you further background and assist with Fr as desired. Howard Meyers, departmental officer assigned to USGADel also arriving Friday to assist you. Pls do not discuss subject with other officers USGADel or Emb at present.

ACHESON

[4] October 26.

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600.0012/10–2451 : Telegram

*The Secretary of State to the Embassy in France* [1]

TOP SECRET PRIORITY WASHINGTON, October 24, 1951—7 : 47 p. m.

2418. No distribution. For Bruce and Bonsal. Fol is text of document referred to in immediately preceding tel : [2]

OUTLINE OF PROGRAM FOR REGULATION, LIMITATION AND BALANCED REDUCTION OF ALL ARMED FORCES AND ARMAMENTS

1. The entire Free World is concerned over the dev of internatl tensions which have imposed upon the World a constantly growing burden of armaments. Nonetheless, the freedom-loving peoples of the World are unshakably determined to continue their efforts to dev the strength required for their security in the realization that, under pres-

[1] Also sent to London as telegram 2177 for Ambassador Walter S. Gifford and Minister Holmes.

[2] *Supra.*

ent conditions, without that security there can be no peace with justice. The Sov Union has forced us to travel this path against our desire. We shall not relax our efforts to achieve strength. But we also recognize that cooperative and effective regulation and limitation of armed forces and armaments wld greatly reduce the danger of war and thus enhance the security of all nations. Accordingly, the US proposes to introduce in this Sixth GA a program for regulation, limitation and balanced reduction of all armed forces and armaments.

2. It is obvious that a program for regulation, limitation and balanced reduction of all armed forces and armaments can make no progress while actual fighting continues in Kor and internatl tensions are high. However, all States shld consider seriously whether steps can be taken to find ways of easing the armaments burden as methods are found to bring about peace and internatl tensions are relaxed. Discussions on this subject can begin now.

3. In any honest program for regulation, limitation and balanced reduction of all armed forces and armaments, a first and indispensable step is a progressive system for internatl disclosure and verification of all armed forces and armaments on a continuing basis. This means revealing in appropriate stages all armed forces—incl para-mil, security and police forces—and all armaments, incl atomic, and providing for proper and progressive internatl inspection to verify the adequacy and accuracy of this info. It is necessary for each State to disclose the level of its armed forces and armaments in order to permit other States to know that its armed establishment is really for defense and not to menace others. The Gen Prins of such a system of disclosure and verification are set forth in Annex A.

4. A program for disclosure and verification of armed forces and armaments shld be an integral part of and lead to a system for the regulation, limitation and balanced reduction of all armed forces and armaments. The US proposes that such a disarmament program include the fol elements:

*a.* The objective shld be to secure the regulation, limitation and balanced reduction of all armed forces and armaments to a level which wld decrease substantially the possibility of successful aggression, and thereby decrease the chance that armed aggression wld be used to further natl objectives.

*b.* There must be an adequate system of safeguards to ensure observance of any acceptable disarmament program. The safeguards shld provide for the prompt detection of violations, while at the same time causing the minimum necessary degree of interference in the internal life of each country.

*c.* In working out the regulation, limitation and balanced reduction of armed forces and armaments, subject to adequate safeguards, the fol criteria are examples which cld be suggested for consideration in the course of detailed negots on the program:

(1) Limiting the size of armed forces, including para-military, security, and police forces to a fixed percent of population, but subject to a ceiling for any country of an agreed maximum figure.

(2) Restricting the portion of natl production which cld be used for mil purposes, so that such production wld bear a direct relation to the amount needed for the armed forces permitted under the program and perhaps subject to a ceiling expressed in terms of a percentage of the natl product.

(3) Developing mutually agreed natl programs, within the overall limitations, concerning the composition of armed forces and armaments that each country wld maintain.

*d.* The UN plan for the internatl control of atomic energy and the prohibition of atomic weapons shld continue to serve as the basis for the atomic energy aspects of any program for the regulation, limitation and balanced reduction of all armaments and armed forces, unless and until a better and more effective plan can be devised.

*e.* The program must be open for adherence to all States and initially it must include at least those States whose mil resources are so substantial that their absence from the program wld endanger it.

*f.* Once a program for the regulation, limitation and balanced reduction of all armed forces and armaments has been agreed upon in the UN, the details of the mutually agreed several natl programs under para 4*c*(3) above shld be developed within the framework of the UN program through conferences under UN auspices.

5. If such a program cld be put into effect, it wld lift the immense burden of mil expenditures which now presses on nearly all peoples of the world. This burden has necessitated in all countries the postponement of great constructive programs of reconstruction and development which had been planned nationally and internationally. New hope and opportunity wld be given everywhere for better conditions of life. Within developed countries new resources for peaceful production cld be put to work. And in underdeveloped areas of the world the UN cld undertake an intensified and concerted campaign against poverty, hunger, disease and ignorance.

6. Concurrently with putting such a system of regulation, limitation and balanced reduction of all armed forces and armaments into force, there can and must be settlement of major polit issues which have divided the World.

7. It is our desire to see a world in which internatl peace and security are assured. The present proposals for a program of regulation, limitation and balanced reduction of all armed forces and armaments will move us forward toward that objective. We shld all be willing to serve the cause of peace by deeds instead of words. The US is prepared to begin negots in the UN on a system of continuing disclosure and verification of all armed forces and armaments as a necessary first step and an integral part of a honest program for the regulation, limitation and balanced reduction of armed forces. Such negots, if good faith is consistently demonstrated, may then lead to a workable agreement.

8. Pending the conclusion of such an effective program for regulation, limitation and balanced reduction of all armed forces, the freedom-loving peoples of the World must continue their full programs to dev the strength required for their security.

Annex A

PRINCIPLES GOVERNING THE SYSTEM OF DISCLOSURE AND VERIFICATION

The US believes that a proper system of disclosure and verification shld be based on the fol prins:

*a.* The system of disclosure and verification must be on a continuing basis. Disclosure as of a particular date on a "one time" basis and subsequent verification of such disclosure wld not meet the requirements of a continuing program for regulation, limitation and balanced reduction of all armed forces and armaments.

*b.* Disclosure and verification shld be carried out stage by stage, with appropriate provisions for proceeding to the next stage when, and only when, previous stages have been satisfactorily completed.

*c.* The early stages of the disclosure wld have to include the numbers of all types of armed forces, incl para-mil, security and police forces, and the organized reserve components of these forces, as well as in gen the types and amts of armaments and matériel of such forces in service and reserve.

*d.* With respect to atomic energy, also, the disclosure wld have to be carried out in stages. The US is aware that in due course this program wld require all States to disclose the atomic weapons in their possession. The US believes that a continuing system of disclosure and verification, as the first step in this program, shld include atomic energy.

*e.* The UN shld establish, at the time of the adoption of the Gen Prins governing this program, the necessary inspection machinery to ensure effective verification of the armed forces and armaments, incl those involving atomic energy, disclosed pursuant to the program.

ACHESON

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Disarmament Files, Lot 58 D 133

*Memorandum of Conversation, by Mr. Bernhard G. Bechhoefer of the Office of United Nations Political and Security Affairs*

TOP SECRET [WASHINGTON,] October 24, 1951.

[Subject:] Program for Regulation, Limitation and Balanced Reduction of Armaments and Armed Forces

[Present:] Gerald Meade—British Embassy
Barbara Salt—British Embassy
Mr. Hickerson—UNA
Mr. Ferguson—S/P
Mr. Allen—EUR
Mr. Bechhoefer—UNP

Mr. Hickerson informed Mr. Meade and Miss Salt that the President of the United States had determined that the United States should introduce in the forthcoming General Assembly a program for the regulation, limitation and balanced reduction of all armaments and armed forces. He handed a text of the program [1] to Mr. Meade, explaining that the text had incorporated the views suggested by the President. The President, however, had not yet passed upon the exact language of the text and it was possible that there might be minor changes.

Mr. Hickerson went over the paper in some detail pointing out the chief variations from the paper which had been prepared at operating levels several weeks earlier and in the preparation of which the representatives of the United Kingdom had assisted. He indicated that the chief difference was the omission of all reference to precise figures for the limitation of either armed forces or armaments. He also pointed out that in the paper as finally approved the problem of disclosure and verification received greater emphasis than in the earlier drafts.

The question of communicating the paper to the French was discussed in some detail. Mr. Meade pointed out that the new paper was so different from the one that resulted from US–UK discussions that it should be presented to the French solely as a US paper. Mr. Hickerson stated our intention of wiring the text to our embassy in Paris with instructions that it be communicated directly by Ambassador Bruce to Mr. Schuman. Mr Meyers and Mr. Ferguson would proceed to Paris immediately to assist Ambassador Bruce.

There was some discussion of the extent to which the United Kingdom and France would be bound to follow in detail the program set forth in the United States paper in the event of agreement on a tripartite approach. Mr. Hickerson stated that the initial tripartite statement would cover most of the substantive points included in the paper. If a tripartite approach were made the United States would expect that in the General Debates and in the discussions in the Political Committee, the British and French would adhere fairly closely to the general principles of the program. After the completion of the General Assembly when the matter was referred to the new committee for regulation of armaments, which is anticipated will be created, the French and British would be free to supplement these proposals as they saw fit.

There was some discussion as to the problem of stages of disclosure. Mr. Hickerson said that in general the UK would be in a position even in the event of a tripartite approach to suggest stages which differed somewhat from those which the United States might approve provided that the general principle was followed of proceeding from the less to the more sensitive.

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[1] For the text approved by the President, see telegram 2418 to Paris, October 24, *supra*.

Mr. Meade handed to Mr. Hickerson a personal message from Mr. Morrison to Mr. Acheson.[2] He agreed that this meeting answered the questions set forth in this personal message but suggested that a formal reply be made during the ensuing week.

Mr. Meade indicated the intention of the British to discuss this program with the older Dominions—Australia, New Zealand, Union of South Africa and Canada. Mr. Hickerson stated that he would fulfill his own commitments to inform the Canadians and at a later stage to notify Dr. Tsiang.[3]

There was some discussion of the possibility that France might wish to go along with the proposals while the United Kingdom would be unable to accept them. Mr. Meade ventured the opinion that if such a contingency arose the British would seek to persuade the French to go along with their proposals. If such persuasion were not successful the British would probably drop their objections to the proposal.

[2] *Infra.*

[3] Dr. Tingfu F. Tsiang, Permanent Representative of the Republic of China at the United Nations; Chairman of the Chinese Delegation to the General Assembly.

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320/10-2451

*The British Secretary of State for Foreign Affairs (Morrison) to the Secretary of State*[1]

TOP SECRET [London, undated.]

Personal Message From Mr. Morrison to Mr. Acheson

As you know a considerable amount of work has been proceeding during recent months on working out proposals in regard to disarmament and there have been exchanges between British and American officials with the aim of producing a plan which we and the French might put forward Tripartitely at the outset of the forthcoming United Nations General Assembly. The thought behind this proposed move has been that the Soviet Government are likely to make some peace gesture (including disarmament proposal) for propaganda purposes at the Assembly and that the Western Powers should forestall this by taking the initiative themselves.

2. The official level exchanges have produced a large area of agreement though there are still some important points to be settled. Unfortunately, owing to our many other preoccupations, it has not proved possible to finalise our own thinking in time for Ministers here to consider the problem before the election, and you will understand that I cannot for the moment commit His Majesty's Government on

[1] This communication was presented to John D. Hickerson, Assistant Secretary of State for United Nations Affairs, by Gerald Meade of the British Embassy on October 24.

so important a matter. This means inevitably a further delay of about a week which leaves very little time before the Assembly opens.

3. It would be very helpful to know how you see the situation in these circumstances, and in particular to know whether you remain of the opinion that an initiative on this subject is desirable at the Assembly. It has been suggested to us that it might entail the risk that Soviet propagandists would seize on it to develop the line that the strain of rearmament is beginning to tell on the Western countries. This in its turn might have a depressing effect on those countries themselves. There is also the possibility that non-communist countries, especially in the Middle and Far East, might themselves conclude that this action is proof of our general weakness. Such arguments are of course in no way conclusive or unanswerable and may well be outweighed by the desirability of forestalling a Soviet initiative. But I should be very glad to have your views on this, and as to how we are to get over the difficulties involved by the shortage of time, particularly since no approach has yet been made to the French. I feel that it is very important to consult them in time. It seems to me that it will be very difficult to settle a Tripartite declaration by the three heads of governments before the Assembly.

4. We are meanwhile continuing to try through the official channels to harmonise our respective points of view on the detailed proposals now under consideration.

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600.0012/10-2551 : Telegram

*The Ambassador in the United Kingdom (Gifford) to the Secretary of State*

TOP SECRET LONDON, October 25, 1951—7 p. m.

2034. Department distribution on authority Secretary's Office only. Deptel 2176 and 2177, Oct 24,[1] contain only info I have received on project and as I may have to discuss it with a new Foreign Minister, feel I need more background. Following are some of the questions which occur to me:

1. Purpose of proposal:

Is it intended as fresh approach to arms reduction problem with some hope of eventual success? Is it calculated only to elicit Soviet rejection thereby improving our propaganda position and taking wind out of sails of Soviet peace campaign? Is it intended as move in connection with Korean fighting (point two, Deptel 2177)? Prominent position this point early in text might give it unintended importance in relation to disarmament theme.

2. Previous conversations with British:

What are our reasons for opposing UK view that central point shld be specific proposal for a reduction for all armed forces to speci-

[1] Same as telegrams 2417 and 2418, pp. 558 and 559.

fied percentage of population, etc.? Did we agree with this British view in preliminary discussions?

3. Contemplated future steps:

If we do not accept British view that specific formula for disarmament be discussed now but at same time maintain that disclosure and verification program shld be integral part of system for regulation limitation and reduction (point four), what do we envisage as scope of any immediate negotiations which might result? Does not our statement that no progress on regulation, etc., program can be made while Korea fighting continues and international tensions are high (point two) open door to a Soviet proposal for reopening Palais Rose discussions or similar red herring move?

4. Re presentation to British and French, I am inclined to doubt advisability from tactical and psychological viewpoints of emphasizing at this stage our intention to go ahead with project whether or not British and French join with us even though it may later be thought best to do so. Would appreciate it if Ferguson cld visit here as well as Paris in order to give us above and additional background. If this impractical, please forward such background by telegram.

Meaning of para *d* of annex A not quite clear.

Sent Dept 2034, rptd info Paris 837 (eyes only Bruce and Bonsal).

GIFFORD

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600.0012/10–2551 : Telegram

*The Acting Secretary of State to the Embassy in the United Kingdom*[1]

TOP SECRET WASHINGTON, October 27, 1951—10:50 a. m.

2220. No distribution. For Gifford and Holmes. Reurtel 2034 rptd Paris 837. Proposal is not intended as move in connection with Kor fighting. While Dept wld welcome progress towards regulation armaments, it is recognized that chances of progress are extremely small. UK FonOff concurs this view.

UK and Fr already aware that US will probably proceed with program whether or not Brit and Fr join.

Questions raised by paras 2 and 3 require detailed explanation background.

Ferguson, pls proceed London on completion Paris mission to furnish further answers and give Amb addl background.

WEBB

[1] Also sent to Paris as telegram 2488 for Ambassador Bruce and Minister Bonsal.

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320/10–2451

*The Acting Secretary of State to the British Ambassador (Franks)*

TOP SECRET [WASHINGTON, October 30, 1951.]

EXCELLENCY: I have the honor to acknowledge the receipt of the personal message from Mr. Morrison to Mr. Acheson which was de-

livered on October 24, 1951. The message was transmitted to and considered by Mr. Acheson prior to his departure for Europe.

As you are aware, during recent months United States officials have made progress in working out a program for the regulation, limitation and balanced reduction of all armaments and armed forces to be submitted to the forthcoming United Nations General Assembly. This program was brought to the attention of the President of the United States within the past week and has received his approval. A copy of the approved program was furnished to your Government on October 24, 1951. The Government of France has likewise received a copy of the proposed program.

After giving full consideration to the factors set forth in Mr. Morrison's message, the United States has come to the conclusion that on balance the advantages of submitting a program of this nature to the General Assembly outweigh the disadvantages.

Despite the shortness of time prior to the General Assembly, I am hopeful that agreement can be reached for the submission of this item to the General Assembly as a joint program by the Governments of the United Kingdom, France and the United States and that a tripartite declaration by the heads of the three respective governments can be made at the time of the convening of the forthcoming General Assembly.

Accept [etc.]

For the Acting Secretary of State:
[File copy not signed]

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600.0012/10–3051 : Telegram

*The Ambassador in France (Bruce) to the Secretary of State*

TOP SECRET

PARIS, October 30, 1951—8 p. m.

2542. Dept distribution on authority Secretary's Office only. Embtel 2470, Oct 27 rptd London 622.[1] Bonsal accompanied by Ferguson and Meyers had discussion of armaments proposals today at FonOff with La Tournelle,[2] Chauvel [3] and Broustra.[4] FonOff had made preliminary

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[1] Telegram 2470 from Paris, October 27, reads as follows: "I [Ambassador Bruce] delivered text Deptel 2418 to Schuman yesterday and expressed orally views contained in Deptel 2417. He assured me proposals wld be given immediate consideration. I have also spoken with Brit Amb who last evening had not yet recd our text from Foreign Office." (600.0012/10–2751)

[2] Guy Le Roy de La Tournelle, Director of Political Affairs, French Ministry of Foreign Affairs; Consultative Adviser, French Delegation to the General Assembly.

[3] Jean Chauvel, Permanent French Representative at the United Nations; Member of the French Delegation to the General Assembly.

[4] Vincent Broustra, Minister Plenipotentiary; Principal Adviser, French Delegation to the General Assembly.

study of proposals and asked several questions. In general questions related to our plans for putting proposals forward in UN and extent to which proposals wld be included in a tripartite statement. It was clear FonOff had concentrated on the suggested criteria and they were assured that US was not committed to such criteria, although it was expected Secy State might refer to them as possibilities in his speech. It was explained that as we saw proposals they rounded out US position with respect to limitation, regulation and reduction and with respect to disclosure.

FonOff asked if we cld give them paper summarizing points discussed. We are planning to provide them tomorrow with memo (of which copy will be sent Wash)[5] covering our answers to their questions as well as a copy of US working group report[6] with numerical percentages deleted.

FonOff wished to discuss matter further later in week. Chauvel remarked that they wanted to study proposals further but that he felt Fr Govt wld want to go along. He specifically asked if we had had reaction from Brit and we told him no. Please advise us whether Brit have given any indication of their position.

Sent Dept 2542; rptd info London 638. (Eyes only Gifford and Holmes.)

BRUCE

[5] The memorandum was transmitted to Washington in despatch 1195, October 31, not printed (320/10-3151).

[6] The working group report is contained in NSC 112, July 6, p. 477.

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600.0012/10-3151 : Telegram

*The Ambassador in France (Bruce) to the Secretary of State*

TOP SECRET PRIORITY PARIS, October 31, 1951—9 p. m.

2571. Dept distribution on authority Secretary's Office only. Embtel 2542, October 30 rptd London 638. Bonsal and Meyers saw Chauvel this afternoon and handed him as background material both minutes of yesterday's meeting[1] and excised copy NSC 112. Tab A, previously given UK with elimination specific percentage and number limits on population and ceiling and national product criteria.

Chauvel emphasized doubt Fr wld wish make public mention possible use of percentage population-production and ceiling criteria, since wld need serious study and wld be great difficulty in selling to Fr mil. He believed Fr wld want not mention these criteria in tripartite state-

[1] For an account of the meeting of October 30, see the reference telegram, *supra*.

ment and in GA speeches wld only wish at most to say these criteria might be used and needed further study.

We emphasized criteria only possibilities and not intended be binding on the three govts; that, while ref might not necessarily be made in tripartite statement, we believed vital propaganda benefits wld accrue through public mention criteria in GA in way set forth in paper.

Chauvel suggested tripartite statement shld be elaboration of facts: (*a*) for first time in UN the three govts making proposals for regulation, limitation, and balanced reduction of armed forces and armaments, including atomic; (*b*) for first time including atomic energy in proposed disclosure and verification system on continuing basis.

We suggested statement shld at least also reaffirm our decision strengthen free world forces and express link between solution current problems and eventual disarmament.

Chauvel pressed for US ideas on content of tripartite declaration, at least in form of working paper which wld clearly be understood as such and not as cleared US document. Schuman had not yet examined US proposals, and he cld obtain Schuman's reaction much more quickly if had draft tripartite statement, even though only working paper.

We promised that, subject to understanding it was not cleared paper, we wld submit this draft as soon as possible. We will do so using as basis Deptel 2532, October 30, rptd London 2249,[2] but in highly condensed form in view Fr emphasis on brevity. We most strongly urged speedy consideration and agreement by Fr Govt and said US considered these proposals primary element GA program.

In addition above points, Chauvel inquired re para 4-*b*, outline of program,[3] wondering if ref to safeguards causing on minimum necessary degree of interference in the internal life of each country "In present context indicated shift in US policy from insistence on international control atomic energy and extensive inspection." He hoped not. We emphasized US held firmly to existing UN plan unless and until a better and more effective plan can be devised.

Chauvel called later in evening. He had spoken to Schuman who confirmed Chauvel's views and emphasized desirability brief tripartite statement. Simplicity needed because of necessity clearing idea other ministries in short time, particularly when Def Min Bidault away.

Sent Dept priority 2571, rptd info London 645 (eyes only Gifford, Holmes and Ferguson).

BRUCE

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[2] Telegram 2532 to Paris, October 30, which contained a preliminary, uncleared, draft three-power declaration, is not printed (600.0012/10-3051).

[3] For the outline of program, see telegram 2418 to Paris, October 24, p. 559.

IO Files:[1] US/A/M(Chr)/190

*Minutes of the Third Meeting of the United States Delegation to the Sixth Regular Session of the United Nations General Assembly, Hotel Astoria, Paris, November 3, 1951*[2]

SECRET

Present: The Secretary
Ambassador Austin
Mrs. Roosevelt[3]
Representative Mansfield[4]
Representative Vorys[5]
Ambassador Jessup

[Here follow a list of advisers present (36) and the agenda of the meeting.]

The Secretary opened the meeting by outlining the disarmament proposal. Recapitulating on procedure, he said the National Security Council had given long consideration to this matter and that it had been approved by the President. Our views had been given to the United Kingdom and France, neither of which had answered with its final position. Schuman liked the plan and hoped for a cabinet decision by Monday.[6] Eden was to come to Paris Sunday with the United Kingdom's views. Pending final approval the three powers had worked on a joint statement, to be given about noon Wednesday, Washington time, followed by a fireside chat by President Truman that night. The Secretary was to follow up on this proposal with his opening speech in the General Assembly on Thursday.

He recalled that the history of this proposal dated back to the October 24, 1950 speech of President Truman to the General Assembly, when the ideas on it had not taken final shape in the government. The most important point was for the United States to take a vigorous lead, ahead of the USSR. The proposal should be such that, if accepted, we could live in security with the Russians and with the plan. He recalled that in the conventional armaments field we had lacked a plan, whereas in atomic energy we had had a very good one. The present proposal was an attempt to harmonize the two fields, to obtain disclosure, verification, control, and limitation.

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[1] Master files of the Reference and Documents Section of the Bureau of International Organization Affairs, Department of State.

[2] For information regarding the composition and organization of the United State Delegation, see vol. II, p. 37.

[3] Mrs. Eleanor Roosevelt, Member of the United States Delegation.

[4] Representative Michael J. Mansfield of Montana, Member of Congress; Member of the United States Delegation.

[5] Representative John M. Vorys of Ohio, Member of Congress; Member of the United States Delegation.

[6] November 5.

The substance of the proposal was that before the plan would go into effect, there would need to be international inspection and verification procedures, agreed to in both fields, and applicable to all nations of significance in armaments, both major powers and parts of important blocs. Inspection was to be by stages, so that what had been agreed upon for submission to the plan's processes would be subject to inspection. All parts of the plan, however, would have to be accepted before it could go into effect. There would be no armaments or armed forces allowed to continue which had an aggressive nature. Breaches of this rule would be ascertained by the inspection procedures. The problem of maintaining sufficient defensive forces which would nevertheless lack an offensive character was to be solved first by a limitation on personnel. There was to be either a ceiling or a certain percentage of the population set as the maximum for armed forces. Precise figures, even as examples, had been omitted from the plan in order to avoid freezing any one position.

The second part of the solution lay in limiting the amount of the national product which could go into the armaments. The third factor in the solution would be to obtain agreed national programs which would avoid attempts at circumventing the first two points of this solution. That is to say, each nation would have to agree to use its men and national product allowance only in a way which could be justified as necessary for defense. The foregoing applied principally to the conventional armaments and armed forces field. In the atomic energy field the United Nations plan or an equally workable one would also have to be accepted as part and parcel of the whole disarmament proposal.

When agreement had been reached on the plan in its entirety, disclosure was to begin. The less sensitive areas, such as the number of police, or the number of soldiers, would be the starting point. From there one would progress to more secret matters. Perhaps disclosure in the atomic energy field would be one of the last steps. We had tried to rationalize this matter and to say that we were not holding out anything special for ourselves in case our own atomic energy program had not been entirely completed.

In the proposal and in the tripartite statement it had been made particularly clear that our military defensive efforts would continue. It had been pointed out that this matter could not be discussed separately from various political factors. Thus it would be necessary to clean up the fighting in Korea and Indo-China [7] before the plan could go into effect, but this need not stop discussion of our proposal.

In commenting on the Secretary's presentation, Mrs. Roosevelt assumed that the proposal was the beginning of a discussion having

[7] For documentation on U.S. policy with respect to Indochina, see vol. VI, Part 1, pp. 332 ff.

great propaganda value against the USSR, and did not mean that we were going to do anything right now. The Secretary agreed, saying that even with good will it would take a long time to put this plan into effect. Mr. Mansfield said that he was delighted with the proposal, especially since both the House and Senate were extremely interested in this field. Mr. Vorys also liked the proposal as a challenging formula which looked and was real, and on which we need not renege. He posed the question of whether we were to speak on this matter before or after the Russians. Mr. Ross [8] said that we had arranged for the Secretary to speak before Vyshinsky. Mr. Sandifer [9] reminded the delegation however, that there was no assurance that if the Secretary wanted to speak on Thursday that he would therefore precede Vyshinsky. Ambassador Jessup recalled that normally Vyshinsky had followed Acheson. This time, Eden would follow Vyshinsky in rebuttal, thereby bracketing him and his remarks. Mr. Vorys suggested that the Secretary should speak first even if this would mean that the United States were to stand by itself on the proposal.

Various proposals were made to assure that the Secretary's speech timed for Thursday would precede Vyshinsky: having the General Committee meet Wednesday afternoon following elections in the morning, having others speak Wednesday afternoon, or calling a Security Council meeting for Wednesday afternoon on Kashmir. The Secretary regarded it as very important that he speak before Vyshinsky.

Ambassador Kirk [10] recalled that the World Peace Council was meeting in Vienna at that very moment.[11] The Secretary read a news dispatch in which Ilya Ehrenberg [12] had called for a five-power pact and outlawry of atomic weapons. Ambassador Kirk pointed out that the disarmament proposal in the Secretary's speech was a one package item, only for sale as a unit. He attempted to predict the Soviet reaction on the basis of their attitude toward the problem of an inspection of a cease-fire line in Korea, and toward elections in Germany. Inspection was a very thorny problem for the USSR. In regard to the percentage of national product going into the armament field, he pointed out how the Soviets conceal many things by juggling figures. There are equally difficult factors in regard to the true statistics of the Soviet

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[8] John C. Ross, Deputy United States Representative to the Security Council and to the United Nations Atomic Energy Commission; Adviser, United States Delegation.

[9] Durward V. Sandifer, Deputy Assistant Secretary of State for United Nations Affairs; Adviser, United States Delegation.

[10] Alan G. Kirk (Admiral, U.S. Navy, ret.), United States Ambassador in the Soviet Union; Adviser, United States Delegation.

[11] Documentation on the World Peace Council and other aspects of Soviet international peace propaganda appears in volume IV.

[12] Russian literary figure.

population. The Secretary suggested that the ceiling device would have to be used for the USSR.

Dr. Tobias [13] referred to the public relations aspect of this proposal. He wondered whether the US might be yielding somewhat to Soviet leadership by changing its stand. He suggested that we avoid this by an indication that this proposal is the voice of the united mind of the USA. He thought that a voice like Ambassador Austin's, were he not in his present position, raised in behalf of this proposal, would be a major stroke of public relations, rising above partisan politics. The Secretary said that in the Senate Mr. Flanders and Mr. McMahon are part of a bipartisan group interested in and strongly supporting this proposal.

Mr. Cohen [14] felt this proposal to be a tremendous advance, answering a real need. He thought that in speaking of "an agreed national program" it would be better to refer to it as a "national *and regional* program", which would maintain the balanced structure upon which there was mutual agreement. He recalled that the problem for us had been the armlessness of Western Europe, vis-à-vis the USSR, so that the Western Europeans had been living almost by leave of the USSR. So too in Asia, small, weak nations lived at the mercy of the big powers there. It may be, he said, that today's world is such as to make it difficult for the US to live with its own program, unless all parts of the proposal are accepted. He felt that the US should be frank about such a situation. In regard to "disclosures in appropriate stages" it would be a good idea, if possible, to link atomic disclosures with others, to avoid the charge that we do not intend to disclose any of our own vital information.

Mrs. Roosevelt feared that the USSR would so slant matters that it would claim certain of its areas were free countries, by which device full control could be evaded.

Admiral Badger [15] noted that a J. C. S. paper [16] was in accord with this study. He too favored the new proposal, although he felt somewhat pessimistic as to the expectations of success.

Ambassador Sayre [17] again brought up the question of whether the contemplated agreement would include Red China. The Secretary answered that any effective agreement would have to include every power, or there would otherwise be a "wild ace in the pack." Am-

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[13] Dr. Channing H. Tobias, sociologist and Director of the Phelps-Stokes Fund; Adviser, United States Delegation.

[14] Benjamin V. Cohen, Counselor of the Department of State, 1945–1947; Alternate Member, United States Delegation.

[15] Vice Adm. O. C. Badger, Representative of the United States Navy on the Military Staff Committee of the United Nations; Adviser, U.S. Delegation to the General Assembly.

[16] Not identified; possibly a reference to the comments by the Joint Chiefs of Staff dated October 22, p. 549.

[17] Francis B. Sayre, United States Representative on the Trusteeship Council; Adviser, U.S. Delegation to the General Assembly.

bassador Jessup followed this up by pointing out that in the position paper [18] it was stated that this was all to be done in the UN and within the framework of the UN.

Ambassador Gross [19] wanted to know what the tactical objective of this proposal was intended to be. Was it to be a resolution in Committee 1, under the report of the Committee of Twelve? [20] Mr. Meyers said that the Secretary would ask in the general debate for a new item which would be sent to the same committee as the Committee of Twelve Report would go. We would table a resolution, and there could be a debate on the substance of the proposal, but it would be preferable to have the new consolidated commission recommended by the Committee of Twelve consider our proposal as one of its proper duties. The Secretary said that at later meetings the procedural schemes would be taken up. Mr. Meyers added that the precise details of the proposal would be worked out within the new unified or consolidated commission.

[Here follows discussion of another subject.]

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[18] *Ante*, p. 538.
[19] Ernest A. Gross, Deputy United States Representative at the United Nations.
[20] *Ante*, p. 552.

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320/11-351

*Memorandum of Conversation, by the Special Assistant on United Nations Affairs, Bureau of European Affairs (Allen)*

TOP SECRET [WASHINGTON,] November 3, 1951.

Subject: Consultation with the French on Disarmament Proposals

Participants: M. Jean Daridan, Counselor, French Embassy
M. Henri Ruffin, First Secretary, French Embassy
Mr. John D. Hickerson, UNA
Mr. B. G. Bechhoefer, UNP (Part of conversation)
Mr. Ward P. Allen

M. Daridan stated that a telegram just received from the French Foreign Office describing the US proposals for disarmament gave the Embassy to understand that the proposals now under discussion in Paris had been worked out jointly by the Department and the UK Embassy in Washington in previous extensive discussions. This was the first information the French Embassy had received on the subject and the Embassy was very perturbed since they found themselves in an embarrassing position in not having been brought into the picture. Emphasizing that it was the concern of the Ambassador and the Embassy and not of the French Foreign Office, M. Daridan was therefore frankly seeking an explanation as to what actually had taken place.

In response, Mr. Hickerson outlined briefly the history of US study of the problem for the last two years; referred to the conversation in Paris last June among Messrs. Parodi, Davies and Jessup; [1] stated that although our studies continued during the summer we had not been in a position to take any initiative in discussing the matter with either the French or UK Governments. However, at the time of Mr. Morrison's visit in August, UK representatives raised the subject and expressed a desire to discuss it.[2] Making clear that we had no governmental position or proposals and were not sure we would have, we nevertheless did accede to their request and held some informal exchanges of views with UK Embassy representatives. Following that we proceeded to complete our own studies; on October 23 the President approved the general lines on which the proposals should proceed; the paper was completed October 24 and copies were sent immediately to our Embassies in Paris and London. Thus, the UK and French Governments received the proposals simultaneously. We sought to emphasize that these proposals differed substantially from the ideas discussed informally with the UK representatives—so different in fact that, although preliminary indications of approval had been received from the French, we had as yet no information as to whether the UK would go along with them.

M. Daridan stated he had been sure there was an adequate explanation; he was grateful for it, completely satisfied and confident the Ambassador would be likewise.

In response to M. Daridan's question as to whether the proposal was a "strategic" or "tactical" move, Mr. Hickerson explained that it was an honest tactical move. The chances of its acceptance are infinitesimal but, should it be accepted, it is in our view a fair and reasonable plan that we could live with. Turning to details M. Daridan asked about the utilization of a percentage of the population to determine the maximum number of forces, and Mr. Hickerson explained that in the first place this was governed by a reference to an over-all ceiling for any one country, and in the second place this is only one of several suggested criteria that *might* be considered in the course of negotiations. Mr. Hickerson then outlined the proposals in some detail as well as the timing and method of their presentation, and gave M. Daridan a copy.

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[1] Alexandre Parodi, Ernest Davies, and Philip C. Jessup were chairmen of the French, British, and United States Delegations respectively at the Four-Power Exploratory Talks at Paris, March 5–June 21, 1951. The specific conversation under reference has not been identified. For documentation on the Paris sessions, see vol. III, pp. 1086 ff.

[2] Foreign Secretary Morrison visited the United States to participate in the San Francisco Conference on the Japanese Peace Treaty, September 4–8, and in the Washington Meetings of the Foreign Ministers of the United States, the United Kingdom, and France, September 10–14. For documentation on U.S. discussions with British officials during August and September concerning disarmament proposals, see pp. 500 ff.

In conclusion, M. Daridan reiterated his pleasure at receiving the explanation, his assurance that this removes any feeling of embarrassment the Embassy might have and, in response to Mr. Hickerson's question, stated that it would be entirely unnecessary for Mr. Hickerson to call Ambassador Bonnet [3] personally on the matter since he (Daridan) would explain it fully to the Ambassador prior to the latter's departure on November 3.

[3] Henri Bonnet, French Ambassador in the United States.

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330.13/11-451

*Memorandum of Conversation, by the Ambassador at Large (Jessup)*

SECRET [Paris,] November 4, 1951.

In discussing with the Secretary today the handling of the Disarmament question in Committee I, I found that he had not been advised as to his participation in the Committee work. He is, however, quite prepared to undertake it. We talked about the kind of resolution which should emerge having in mind both the disarmament proposal and the report of the Committee of Twelve on the merger of the Atomic Energy Commission and the Commission on Conventional Armaments. I told him that one current plan was to deal with these matters in two separate resolutions with appropriate cross references. The Secretary thought it would be much better if we would have a single resolution which, following the pattern of an Act of Congress, might begin with a statement of principles. The equivalent of Title I might then be the establishment of the new commission, and Title II might contain the substance of the functions which the Commission is to carry out. He thought it would be disadvantageous to have to refer people later to two different resolutions on this subject when the question is asked what has the Delegation accomplished in this field. If the whole matter is covered in one resolution, this resolution could be reproduced for the use of NGO's, etc., and could form an adequate record of what had been done on the whole problem. I told him we would work on this suggestion. I pointed out that we still face something of a problem with the French and the British in regard to the content of the disarmament resolution. It might be that we could not reach sufficient agreement with them to make a good showing in the type of resolution he had in mind.

Mr. Ferguson has agreed to jot down some notes before he leaves concerning the substantive points on which the Secretary might touch in his opening statement on the disarmament proposals in Committee I.

Philip C. Jessup

Secretary's Memoranda, Lot 53 D 444 [1]

*Minutes of Bipartite Discussion With the British Secretary of State for Foreign Affairs (Eden) at Paris, November 5, 1951, 3 p. m.*[2]

[Extracts]

TOP SECRET

Present: *United Kingdom*

Mr. Anthony Eden, Foreign Secretary
Mr. Lloyd, Minister for State [3]
Sir Pierson Dixon, Deputy Permanent Under Secretary
Mr. Bowker, Superintending Under Secretary for the Middle East
Mr. Parrott, Chief of UN Division, Foreign Office
Mr. Schuckburgh, Private Secretary to Mr. Eden

*United States*

Mr. Dean Acheson, Secretary of State
Mr. Lewis Jones [4]
Mr. Hayden Raynor [5]
For latter part of meeting—Dr. Philip Jessup

. . . . . .

*Tripartite Declaration on Disarmament* [6]

Mr. Eden raised this question, and the Secretary explained the philosophy behind the declaration. The British had two major points in mind which were brought out partly by Mr. Eden and partly by Mr. Lloyd, Minister of State. They were: (*a*) a question as to whether paragraph No. 1, as written, would not raise hopes unduly; and (*b*) as to whether we were prepared to follow through with something precise on paragraph 5. There was a certain amount of detail discussion as to the type of limitations which should be included. The Secretary said that there were several possibilities:

(*a*) A ceiling or a percentage of population, whichever is lower;
(*b*) A percentage of the national product;

[1] Collection of the memoranda of the Secretary of State, 1947–1953, retired by the Executive Secretariat of the Department of State.

[2] This discussion dealt with various issues of common interest to the United States and the United Kingdom, including Chinese representation at the United Nations, a future tripartite foreign ministers meeting, and questions relating to the Middle East. For documentation on the various bilateral and trilateral discussions involving Secretary of State Acheson, British Foreign Secretary Eden, and French Foreign Minister Schuman, which occurred in Paris and Rome during November, see vol. III, pp. 693 ff.

[3] Selwyn Lloyd, British Minister of State for Foreign Affairs.

[4] Director of the Office of Near Eastern Affairs.

[5] Director of the Office of British Commonwealth and Northern European Affairs.

[6] The draft under consideration here has not been identified specifically. For the text of the declaration actually issued by the United States, the United Kingdom, and France on November 7, see telegram Delga 72, November 6, p. 581.

(*c*) An agreed national program (so much money, so much matériel).

He said something like this might avoid a situation such as the subterfuge employed by the Germans in building the pocket battleship fleet. The Secretary, in reply to a question raised by Mr. Lloyd, said that a commission should be established, and that the Assembly should give it pretty specific guidance. The Secretary explained that the NSC had changed some of the points in our proposal which had been discussed with the British in the official level talks in Washington. The NSC had decided to eliminate illustrative figures but to retain a statement of criteria. At this point, the discussion of this question was deferred until Dr. Jessup arrived.

. . . . . .

*Resumption of Discussion on Tripartite Declaration on Disarmament*

In answer to the questions raised by the British as to what of a specific nature would follow paragraph 5 of the proposed declaration, Dr. Jessup said that we had felt it was not necessary to agree on details now. He viewed the procedure as follows:

(*a*) Issuance of the tripartite statement.
(*b*) Obtaining tripartite agreement on the wording of the agenda item for the UN.
(*c*) Then we would have two weeks before a GA Committee got into the subject to work out an agreed text of the resolution which should contain: (*a*) as much detail as could be agreed upon; and (*b*) at a minimum, rather precise terms of reference for the Commission which would be established.

The Secretary read the criteria which we have in mind.

Mr. Eden then reverted to the question as to whether the first paragraph of the declaration would not result in raising hopes all over the world too much, and he suggested the inclusion of the words "proposals for proceeding with the regulation, etc." Some discussion ensued as to whether or not hope would be unduly raised; and Dr. Jessup cited that the United States, in this proposal, was making a new and far reaching concession in that it was agreeing, for the first time, to extend verification to United States atomic weapons. At the conclusion of the discussion, the Secretary accepted Mr. Eden's amendment. Dr. Jessup then raised the suggested French addition to paragraph 2 reading as follows: "They believe that such a regulation constitutes a method more in accord with the interests of the peoples of the world in order to strengthen the security of all nations." After some discussion, there was agreement to oppose this French amendment.

There was agreement with the U.S. suggestion to eliminate the word "but" in this same paragraph.

Mr. Eden questioned how the mechanics of this operation would work out, and he was informed that the plan was that the declaration would be released to the press by our respective Foreign Offices at noon, Washington time, on Wednesday.[7] The President would make his speech on Wednesday evening, and the Secretary, in his speech to the General Assembly on Thursday, would go into the matter. The next step would be to send a formal request for the addition of the item to the agenda of the Assembly, and then we would have perhaps two weeks to work out the details of a proposed resolution.

Dr. Jessup inquired if it would be appropriate for friendly delegations to be informed on this matter tomorrow. This was agreed, and it was also agreed that Mr. Eden could tell the Dominions about it at his dinner with them tonight.

. . . . . .

[7] November 7.

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Secretary's Memoranda, Lot 53 D 444

*Minutes of Tripartite Ministerial Meeting, Paris, November 6, 1951, 10:30 a. m.*[1]

[Extract]

TOP SECRET

Present:

*France*—Foreign Minister Schuman, M. Parodi, M. de la Tournelle, Ambassadors Bonnet, Massigli[2] and Chauvel, M. Broustra, M. Maurice Schumann,[3] M. de Bourbon Busset,[4] and for part of the meeting, M. Lacoste.[5]

*United Kingdom*—Foreign Secretary Eden, Messrs. Lloyd, Dixon, Schuckburgh, Bowker, Jebb, Parrott, and U.K. Ambassador to France.[6]

*United States*—Secretary, Ambassadors Bruce, Gifford and Jessup, Assistant Secretary Perkins, Mr. Raynor. For portions of meeting, Messrs. Ridgway Knight,[7] Lewis Jones and Wainhouse.[8]

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[1] This discussion concerned itself with questions facing the General Assembly, Middle Eastern questions, and the matter of a future tripartite foreign ministers meeting.

[2] René Massigli, French Ambassador in the United Kingdom.

[3] French Deputy Foreign Minister; Member of the French Delegation to the General Assembly.

[4] Jacques de Bourbon-Busset, Director, Cabinet of the Minister for Foreign Affairs; Consultative Adviser, French Delegation to the General Assembly.

[5] Francis Lacoste, Deputy French Representative on the Security Council; Consultative Adviser, French Delegation to the General Assembly.

[6] Sir Oliver Charles Harvey.

[7] Acting Deputy Director, Office of European Regional Affairs.

[8] David W. Wainhouse, Director, Office of United Nations Affairs.

*General*

Mr. Schuman opened the meeting by stating that this was not a conference, but an informal meeting for a frank exchange of views. He suggested that we commence with the urgent problems now coming up in the U.N.

*Tripartite Declaration on Disarmament* [9]

The Secretary said that while we had planned to publish the declaration tomorrow, he thought that in view of the increasing reports in the press, both accurate and inaccurate, it would be advisable to expedite publication and make it today. He suggested, and it was agreed, that publication take place today, 10 p. m. Paris time.

Mr. Schuman raised questions about the first two sentences of paragraph 6, feeling that they set conditions and therefore detracted from the propaganda value of the proposal as they made it appear "theoretical".

Mr. Acheson said that he was sorry to be unable to agree with these observations. He said that we had to look at this statement both from the angle of propaganda and from the angle of what would happen if the plan should be accepted. He said that in his view the sentences constituted essential conditions which could not be eliminated without impairment of our world wide security position. He said this was not a question only of Korea, but that our position would be weakened in the Far and Middle East, as well, for example, more specifically in Indochina and Yugoslavia. He said if we found ourselves in a position in which we did not have troops available to send to distant parts of the world, in the event of trouble, that this in effect would mean turning over the control of a large part of the world to other powers. In this connection he referred to the 5–5–3 Naval ratio agreed with Japan in the twenties as a great mistake. He said that we must not allow the propaganda part of the program to get us into a dangerous situation.

Mr. Eden said he agreed with Mr. Acheson, feeling he had made a strong case for the retention of the original language.

Mr. Schuman maintained his position, making the point that in his view the value of this operation is largely psychological. He thought the present text gave the impression of unduly restricting our initiative. He said he quite agreed that outstanding political questions must be settled prior to disarmament becoming a fact, but he thought the present wording gave too rigid an impression.

Mr. Acheson said he thought Mr. Schuman's points were covered by the provision that discussions should be started now and the invitation to the Soviets to settle outstanding issues.

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[9] For text of the declaration released by the United States, the United Kingdom, and France on November 7, see telegram Delga 72, *infra*.

Mr. Eden suggested that perhaps Mr. Schuman's point could be met if the last sentence of the sixth paragraph was made the first sentence of that paragraph. This was agreed and the declaration revised accordingly.

In paragraph seven it was agreed to eliminate the suggested U.S. addition referring to the U.N.'s becoming an effective, collective security organization.

Mr. Schuman indicated that he did not like this because of the impression it would give to the Russians that we contemplated carrying out this proposal in an organization in which the Soviets were in a minority position. Officials were requested to prepare a clear text taking account of the above suggestions.

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320/11-651 : Telegram

*The Secretary of State to the Acting Secretary of State*

TOP SECRET NIACT PARIS, November 6, 1951—9 p. m.

Delga 72. For Hickerson and Bechhoefer. Fol final draft tripartite statement approved this morning by Secy, Eden and Schuman:

*Verbatim text:*

"1. France, the United Kingdom and the US will submit to the sixth GA of the UN for its consideration proposals for proceeding with the regulation, limitation and balanced reduction of all armed forces and all armaments, including atomic.

"2. As long as present conditions of internatl tension prevail, the three govts have the inescapable duty and are unshakably determined to continue their efforts to develop the strength required for their security and that of the free world, because without security there can be no peace with justice. They also believe that if all govts sincerely join in the cooperative and effective regulation and limitation of armed forces and armaments, this wld greatly reduce the danger of war and thus enhance the security of all nations.

"3. In any honest program for regulation, limitation and balanced reduction of all armed forces and armaments a first and indispensable step is disclosure and verification. The system of disclosure and verification must be on a continuing basis and reveal in successive stages all armed forces—including para-military, security and police forces—and all armaments, including atomic. It must also provide for effective internatl inspection to verify the adequacy and accuracy of this info.

"4. Such a system of disclosure and verification in successive stages wld be an essential part of the program for regulation, limitation and balanced reduction of all armed forces and armaments to a level which wld decrease substantially the possibility of a successful aggression

and thereby decrease the chance that armed aggression would be used to further natl objectives.

"5. The three govts believe that a workable program shld include criteria according to which the size of all armed forces wld be limited, the portion of natl production which cld be used for military purposes wld be restricted, and mutually agreed natl mil programs wld be arrived at within the prescribed limits and restrictions. The UN plan for the internatl control of atomic energy and the prohibition of atomic weapons shld continue to serve as the basis for the atomic energy aspects of any general program for the regulation, limitation and balanced reduction of all armaments and armed forces, unless and until a better and more effective plan can be devised.

"6. The three govts believe that discussion of the program shld begin now. However, such a general program cannot be put into effect while UN forces are resisting aggression in Korea. Moreover, concurrently with the coming into effect of the program the major political issues which have divided the world can and must be settled.

"7. The three govts share with all members of the UN the responsibility to promote world conditions in which internatl peace and security are assured. They believe that their proposals offer an opportunity for the world to move forward toward that objective."

Statement will be released midnight Paris time (6 p. m. Washington) tomorrow, with handouts to press not more than one hour before in accordance with telephone conversation between GADel and Dept.

Sent Dept Delga 72, rptd London priority 693 for Gifford and Holmes.

ACHESON

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*Editorial Note*

On the evening of November 7, 1951, President Truman delivered a radio and television report to the American people on international arms reduction, with particular reference to the United States–United Kingdom–France declaration released in Paris earlier in the day. For text of the tripartite declaration, see telegram Delga 72, *supra*. For text of the President's address, see *Public Papers of the Presidents of the United States: Harry S. Truman, 1951*, pages 623–627, or Department of State *Bulletin*, November 19, 1951, pages 799–803.

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*Editorial Note*

On November 8, 1951, during the general debate phase of proceedings at the Sixth Session of the General Assembly in Paris, Secretary

of State Acheson delivered an address which dealt in part with regulation of armaments, particularly the proposals which the United States, the United Kingdom, and France intended to introduce. For text of the address, see United Nations, *Official Records of the General Assembly, Sixth Session, Plenary Meetings*, pages 13–17, (hereafter cited as GA (VI), *Plenary*) or Department of State *Bulletin*, November 19, 1951, pages 803–808.

Later on November 8, Andrey Y. Vyshinsky, Foreign Minister of the Soviet Union and Chairman of the Soviet Delegation, addressed the General Assembly. His remarks were highly critical of the tripartite proposals on regulation of armaments (for text, see telegram Delga 72, November 6, page 581) and included a Soviet draft resolution, document A/1944, which contained the following elements: The General Assembly was asked to condemn the North Atlantic Treaty Organization and United States bases; to request all foreign troops to leave Korea within three months; to convene a World Conference on disarmament; and to call upon the major powers to conclude a Peace Pact. For text of Vyshinsky's address, including the Soviet proposal, see GA(VI), *Plenary*, pages 19–28. For an extract from the speech, see *Documents on Disarmament, 1945–1959*, volume I, pages 281–289.

Mr. Vyshinsky further criticized the tripartite declaration in remarks before the General Assembly on November 16. For text of the address, see GA(VI), *Plenary*, pages 188–195. An extract appears in *Documents on Disarmament, 1945–1959*, volume I, pages 289–307.

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320/11-1051 : Telegram

*The Secretary of State to the Acting Secretary of State*

SECRET PARIS, November 10, 1951—5 p. m.

Delga 131. Re Soviet disarmament proposal. Dept will have recd Delga 108, containing draft res introduced by USSR in plenary Nov 8 [1] which *inter alia* calls upon govts of all states to consider at world conf question of substantial reduction of armed forces and armaments as well as question of practical measures for prohibiting atomic weapon and establishing international control thereof.

GADel staff has been considering how to handle Soviet disarmament conf proposal in relation to tripartite item on armaments control. Tentative suggested approach wld comprise following points, transmitted herewith for Dept's views:

(1) USSR proposes in effect by-passing of UN on all important subject of armaments control; tripartite initiative wld continue efforts which UN has engaged in over five years through AEC and CCA.

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[1] Delga 108, November 8, is not printed. Regarding the Soviet draft resolution, see editorial note, *supra*.

(2) Soviets propose disarmament conf not later than June 1952; actually we have opportunity for "disarmament conf" right now in Paris at sixth GA session where western Big Three have now introduced new armaments control item in Assembly.

(3) US intends to explain substance of its disarmament proposal in comite debates, with view to elaboration of disarmament plan by new UN commission to be established in pursuance of Comite of 12 report.[2] Much work remains to be done, and detailed studies following 6th GA can best be carried on by new commission.

(4) Plan for regulation, limitation and balanced reduction of all armaments and all armed forces, when completed and agreed, will of course necessitate multilateral treaty in order to be put into effect. Draft treaty prepared by UN commission cld then be submitted to worldwide conf of govt reps for definitive consideration and conclusion. US therefore in no sense opposes holding of diplomatic conf when necessary groundwork has been accomplished and when concurrently with implementation of armaments control plan major political issues dividing world can be settled. US wants to get the work launched now in this Assembly. We earnestly appeal for cooperation of all UN members, particularly USSR. The sooner the new commission is able to achieve progress, the sooner a conf can be held for conclusion of treaty.

(5) At conf held for conclusion and signature of treaty embodying plan referred to above, representation of countries shld be at least broad enough to include all those whose participation wld be essential for success of control plan. Indeed, universal participation and therefore universal representation at conf might be goal. This wld mean participation of all UN members, of satellite states, and of such important countries as Germany, Japan, and Italy. It would also include Spain, Portugal, Ireland and a number of other non-UN members. In answer to any specific question on China, line cld be that conf must any event include all govts and authorities having substantial military power at their disposition.

ACHESON

[2] *Ante*, p. 552.

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IO Files, Lot 71 D 440

*Draft Tripartite Resolution on Armaments* [1]

CONFIDENTIAL [PARIS,] November 17, 1951.

US/A/C.1/2499/Rev 2

*The General Assembly*

*Desiring* to lift from the peoples of the world the burden of increasing armaments and the fear of war, and to liberate new energies and resources for positive programmes of reconstruction and development,

[1] This draft, with the minor modifications noted below, was submitted to the First Committee by the United States, the United Kingdom, and France on November 19. It was circulated as document A/C.1/667.

*Believing* that the necessary means to this end is the development by the United Nations of comprehensive and co-ordinated plans, under international control, for the regulation, limitation and balanced reduction to levels adequate for defense but not for aggression of all armed forces and all armaments, and for the effective international control of atomic energy to ensure the prohibition of atomic weapons and the use of atomic energy for peaceful purposes only,

*Recognizing* that a genuine system for disarmament must include all kinds of armed forces and armaments, must be accepted by all nations having substantial armed forces, and must include safeguards that will ensure the compliance of all such nations,

*Noting* the Report [2] of the Committee of Twelve established by resolution 496 (V), and especially its recommendation that the General Assembly establish a new commission to carry forward the tasks originally assigned to the Atomic Energy Commission and the Commission for Conventional Armaments,

1. *Establishes* under the Security Council a commission for the regulation, limitation and balanced reduction of all armed forces and all armaments to be known as the Disarmament Commission. This Commission shall have the same membership as the Atomic Energy Commission and the Commission for Conventional Armaments, and function under the Rules of Procedure of the Atomic Energy Commission with such modifications as the Commission shall deem necessary;

2. *Dissolves* the Atomic Energy Commission and recommends to the Security Council that it dissolve the Commission for Conventional Armaments;

3. *Directs* the Disarmament Commission to prepare proposals to be embodied in a draft treaty (or treaties) for the regulation, limitation and balanced reduction of all armed forces and all armaments. The Commission shall be guided by the following principles:

(*a*) It is a primary objective of the United Nations to bring about the limitation and balanced reduction of all armed forces and all armaments to levels adequate for defense but not for aggression and to achieve effective international control to ensure the prohibition of atomic weapons.

(*b*) In a system of guaranteed disarmament there must be progressive disclosure and verification on a continuing basis of all armed forces—including para-military, security and police forces—and all armaments, including atomic.

(*c*) Such verification must be based on effective international inspection to ensure the adequacy and accuracy of the information disclosed.

(*d*) In formulating the proposals for the draft treaty (or treaties) referred to above, while not prejudging any other plan that may be put forward, the United Nations plan for the international control of

[2] "(A/1922)" follows the word "report" in document A/C.1/667. For text of the report, October 23, see p. 552.

atomic energy and the prohibition of atomic weapons should continue to serve as the basis for the control of atomic energy unless and until a better and [3] no less effective system can be devised.

(*e*) There must be an adequate system of safeguards to ensure observance of the disarmament program, so as to provide for the prompt detection of violations while at the same time causing the minimum degree of interference in the internal life of each country.

(*f*) The treaty (or treaties) should be open to all States for adherence and must be ratified by at least those States whose military resources are so substantial that their absence from the program would endanger it.

4. *Directs* the Commission, in preparing the proposals referred to in paragraph 3 above, to consider from the outset plans for progressive and continuing disclosure and verification, the implementation of which is recognized as a first and indispensable step in carrying out the disarmament programme envisaged in the present resolution.

5. *Directs* the Commission, in working out plans for the regulation, limitation, and balanced reduction of all armed forces and all armaments,

(*a*) to seek to formulate criteria of general application, which could be simply and clearly stated:

(*b*) to formulate for each State, taking into account the agreed criteria, proposals for over-all limits and restrictions on all armed forces and all armaments;

(*c*) to consider methods according to which States could [4] agree among themselves, under the auspices of the Commission, concerning the allocation within their respective national military [5] establishments of the permitted national armed forces and armaments.

6. *Directs* the Commission to commence its work not later than thirty days from the adoption of this resolution and to report periodically, for information, to the Security Council and to the General Assembly, or to the Members of the United Nations when the General Assembly is not in session;

7. *Declares* that a conference of all States should be convened to consider the proposals for a draft treaty (or treaties) prepared by the Commission as soon as the work of the Commission shall have progressed to a point where in the judgment of the Commission any part of its program is ready for submission to governments;

8. *Requests* the Secretary-General to convene such a conference when so advised by the Commission;

9. *Requests* the Secretary-General to furnish such experts, staff, and facilities as the Commission may consider necessary for the effective accomplishment of the purposes of the present resolution.

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[3] The word "or" replaces the word "and" in document A/C.1/667.
[4] The word "can" replaces the word "could" in document A/C.1/667.
[5] The word "military" does not appear at this point in document A/C.1/667.

*Editorial Note*

On November 19, 1951, Secretary of State Acheson spoke before the First Committee of the General Assembly in support and elaboration of the tripartite resolution on regulation, limitation, and balanced reduction of all armed forces and all armaments, document A/C.1/667 *supra*. For the summary record of his remarks, see United Nations, *Official Records of the General Assembly, Sixth Session, First Committee*, pages 7–10 (hereafter cited as GA(VI), *First Committee*). For the full text of the address, Department of State press release 1040, November 20, 1951, see *Documents on Disarmament, 1945–1959*, volume I, pages 309–330.

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Secretary's Memoranda, Lot 53 D 444

*Memorandum of Conversation, by the Ambassador at Large (Jessup)*

SECRET PARIS, November 19, 1951.

Subject: Tripartite Disarmament Proposals in the UN

Participants: Foreign Minister Lester B. Pearson (Canada)[1]
The Secretary (US)
Mr. Philip C. Jessup (US)

At lunch the Secretary discussed with Mr. Pearson the possible developments relative to our disarmament proposals. Mr. Pearson raised the question whether, if the Soviets oppose the resolution,[2] it was worthwhile continuing in the Commission to elaborate the disarmament plan. The Secretary said that the same point had been raised by the British and he himself had wondered whether the proper type of person could be induced to serve on the Commission if the Soviets showed no sign of cooperation. He said that Mr. Jessup had pointed out that there would be a considerable letdown if the sponsoring powers abandoned the proposal in the face of the Soviet negative vote. He thought it might be possible to begin on the work of the Commission and if after a reasonable length of time there was no Soviet participation or attitude of acquiescence then it might be possible to slaken the effort and perhaps to put in alternates. Mr. Pearson did not dissent from this suggestion.

Mr. Pearson indicated that he had thought of speaking in the First Committee before he left for Rome,[3] but he now doubted after the Secretary's speech [4] whether there was anything he could add. He said

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[1] Chairman of the Canadian Delegation to the General Assembly.
[2] Reference is to tripartite resolution A/C.1/667, p. 584.
[3] For documentation on the Eighth Session of the North Atlantic Council at Rome, November 24–28, see vol. III, pp. 693 ff.
[4] Regarding Acheson's speech in the First Committee, see editorial note, *supra*.

he had thought of going into the matter at the NATO meeting in Rome to develop the idea that there was no inconsistency between proceeding with the NATO defense plans and that of the disarmament proposals. After some discussion in which it was noted that the Soviets would undoubtedly continue to charge the three powers with bad faith for continuing their rearmament while urging disarmament, it was concluded that it would be very useful if Mr. Pearson would anticipate the Soviet attack by speaking to this point in the First Committee probably tomorrow.[5] Mr. Pearson accepted this idea agreeing that we should not wait to be put on the defensive but should advance our thesis before we were attacked. It was also suggested that the Soviets might have one of the satellites speak in the Committee tomorrow[6] to pick holes in the tripartite proposal while Vishinsky was waiting for instructions from Moscow on the line which they should take regarding the proposal as a whole.

PHILIP C. JESSUP

[5] For the summary record of Pearson's remarks in the First Committee on November 21, see GA (VI), *First Committee*, p. 14.

[6] For the summary record of the remarks of Mrs. Sekaninova-Cakrtova, representative of Czechoslovakia, in the First Committee on November 21, see *ibid.*, p. 13.

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600.0012/11–1951 : Telegram

*The Secretary of State to the Acting Secretary of State*

SECRET PRIORITY PARIS, November 19, 1951—7 p. m.

2994. Eyes only for Hickerson and Chase from Arneson. No further distribution. Subject: Disarmament. To forestall any adverse comment from Baruch[1] re disarmament debates in GA, Secy concurs in suggestion made by Jessup and Arneson that Chase on strength of previous association reassure Baruch US stands firm on UN plan as basis for internatl control to ensure prohibition atomic weapons. [Arneson.]

ACHESON

[1] Bernard M. Baruch, New York financier; United States Representative on the United Nations Atomic Energy Commission, 1946.

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600.0012/11–1951

*Memorandum by the Legal Adviser of the Department of State (Fisher) to the Ambassador at Large (Jessup)*[1]

CONFIDENTIAL [PARIS,] November 19, 1951.

Subject: Disarmament Commission

If the new Disarmament Commission is to make real progress after it is set up, a lot of new work on atomic energy control is going to be

[1] Ambassador Jessup was a Member of the United States Delegation to the General Assembly, Mr. Fisher served as an Adviser to the Delegation.

needed. The present United Nations plan is itself incomplete, and much would have to be done to put it into shape if the ideas so far embodied in it were going to be the basis of agreement among states. However, it seems highly unlikely that agreement will be reached on the basis of the present United Nations plan's elements. It would appear, actually, that some of the assumptions underlying the United Nations plan have been changed a good deal by the passage of time since the Baruch proposals were put forward in 1946. The expectation of that time that the United States monopoly on atomic weapons would last for a number of years has of course been eliminated by the events of 1950 and 1951. The belief that atomic energy might early be exploited on a large scale for industrial and other peaceful uses has not been fulfilled.

Real consideration needs to be given to methods of atomic energy control that would be as effective as the provisions contemplated in the United Nations plan and at the same time more susceptible of agreement. Are *ownership and management* essential if a control system has rigorous and thorough inspection? Are control treaty provisions on *sanctions* likely to be significant? In the absence of world government, when the most that control can do is to operate a reliable warning and alarm system, is or is not the veto an element that could be accepted in a control system if the system is set up in such a way that exercise of the veto cannot be represented as the exercise of a normal prerogative but instead constitutes a virtual act of war in violation of the most solemn treaty obligations? These seem to me some of the questions that need to be examined most closely.

When the disarmament resolution emerges from the Assembly it may still contain the provision on atomic energy control that is included in the draft now submitted to Committee One. Under that provision the Commission is not directed or urged to look for plans other than the United Nations plan. The United States, which above all other countries is in a position from the technological and personnel point of view to take the lead in new explorations, should start now to see whether any alternative plans can be devised and put before the Commission later for its consideration. The United States would not be making a serious effort in the disarmament field if it sat back and waited for others to produce suggestions on alternative methods of atomic energy control.

I would like to suggest the creation of a United States task force to start work on this problem now, with membership perhaps drawn from the State and Defense Departments, the Atomic Energy Commission, engineering and industrial concerns, and the scientific professions, together with a few lay members of recognized competence and judgment.

600.0012/11-2051

*The Ambassador at Large (Jessup) to the Assistant Secretary of State for United Nations Affairs (Hickerson)*

SECRET PARIS, November 20, 1951.

DEAR JACK: I am sorry that we did not seem to get our minds together during the stages of drafting the disarmament resolution. I am sure you understand the situation which develops particularly when the Secretary is at this end. I hope that you agree that in the final product we have met the Department's essential points and that the remaining differences are not ones of great consequence. It was particularly too bad that the telecon broke down the other night and that we did not get your suggestions until the following evening when the resolution had been put to bed.

The Secretary's opening speech yesterday was really a honey. Abe Feller,[1] who is so frequently critical of us, was absolutely ecstatic and came up to the Secretary afterwards saying that it was the greatest speech made in the UN in four years. The reaction all through the corridors was very good indeed. As you know, he merely spoke from notes and there are one or two places where the provisional transcript will need a little polishing. In particular, as one reads it one might get a false impression about the necessity of proceeding with disclosure and verification as the essential first step in the implementation of the program. We have no uncertainty here about the substance, and I think the whole context of the Secretary's remarks makes it clear but there is one sentence which might be open to misinterpretation. We will watch out for this.

I enclose a copy of the memorandum of conversation at lunch yesterday between the Secretary and Mike Pearson.[2] It deals among other things with the question whether it is worthwhile to go ahead in the Commission if the Soviets strongly oppose the adoption of the resolution. We feel here that we simply must do it, that we could not afford the let down which would result if we abandoned our efforts in the face of an adverse Soviet vote on the resolution. We recognize, as the British and Canadians seem to feel, that this may involve a lot of manpower effort to no avail, but having put our hand to the plow we cannot look back.

In that connection, I enclose a memorandum of Butch Fisher's[3] on the need for organizing a group to go ahead with further work on the question of atomic energy. When I showed this to Frank Nash

[1] Abraham H. Feller, General Counsel and Principal Director, Legal Department, United Nations Secretariat.
[2] *Ante*, p. 587.
[3] *Supra*.

during the Delegation meeting this morning, he sent me the following note:

"To coin a phrase: I couldn't agree more. It is something I have been urging for a long time. There will be strong opposition to any such proposal for re-examination and therefore I think the step should be initiated directly by the President. I have the distinct impression the White House will be receptive. FN"

I agree, and I hope this is a matter to which you will turn your attention. At the same time, I think we must go ahead in Washington so as to be ready to advance specific proposals on the tripartite program when the Commission meets (see Delga 196, November 15).[4] All of this would presumably involve consultation with the British and the French so that we ought to start as soon as we can. I would suppose the first thing to elaborate in a form suitable for a memorandum to the Commission, would be some details on a plan on disclosure and verification including inspection. Perhaps this involves merely culling the items from our previous positions and pulling them together in an appropriate way. Some of the staff here also have ideas about personnel and plans of work for the group, and we may send them along soon.

Don't be discouraged with us as a result of the experience to date!

Sincerely yours, PHIL

[4] Not printed.

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320/11-2251: Telegram

*The Secretary of State to the Acting Secretary of State*

SECRET NIACT PARIS, November 22, 1951—4 p. m.

Delga 300. Subj disarmament item. Several dels, particularly India, are thinking of proposing a subcomite of Comite I to consider tripartite draft and Sov draft with view to developing a composite draft which wld seek to accommodate to the extent possible both views. We are mindful that in effort to make composite draft only the relevant elements of Sov draft wld be considered. This of course wld mean segmentation of Sov draft to which they have already in debate on order of items in comite vehemently objected. UK and Fr are disposed to accept such subcomite and have asked us our views thereon. Jessup and staff believe we shld tell UK and Fr we have open mind about subcomite and shld wait until Vyshinsky has given his speech [1] before finally deciding.

Jessup and staff agree that idea of subcomite might take on ground swell proportions and recommend we go along with it. Our recom-

[1] For the summary record of Vyshinsky's address in the First Committee on November 24, see GA (VI), *First Committee*, pp. 23–25.

mendation is motivated by desire to capitalize on good will accruing in comite from moderate and reasonable tripartite attitude. Presumably subcomite wld include Big Four.

Request Dept's guidance soonest.

ACHESON

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320/11-2251 : Telegram

*The Acting Secretary of State to the Embassy in France*

SECRET NIACT WASHINGTON, November 23, 1951—4 : 50 p. m.

Gadel 227. Re Delga 300.[1] Dept appreciates undesirability from tactics viewpoint US opposing proposal for establishing sub-comite of Comite 1 to develop composite draft on disarmament unless Sovs can be maneuvered into indicating prior opposition. However, Dept believes sub-comite most unhappy idea and USGADel shld not encourage sub-comite for fol reasons among others:

1. Obvious substantive gap between tripartite draft Res and Sov proposals is too wide to be spanned by semantic bridge except to detriment substance tripartite position.
2. Composition of sub-comite utmost importance. In our view wld be difficult if not impossible avoid inclusion India and other Dels of like view. In such case tripartite draft sponsors might be placed in unduly defensive position on such individual points as possible declaration prohibiting atomic weapons now.

Dept firmly endorses Jessup view we shld tell UK and Fr we inclined wait until Vyshinsky's speech before final decision re sub-comite.

WEBB

[1] *Supra.*

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320/11-2351 : Telegram

*The Acting Secretary of State to the Embassy in France*

TOP SECRET WASHINGTON, November 24, 1951—6 : 31 p. m.
PRIORITY

Gadel 243. For Jessup. Re Delga 333, Nov. 23,[1] in view reports unconciliatory vein Vyshinsky speech, Nov. 24,[2] Dept presumes pressure

[1] Telegram Delga 333, from Jessup for Hickerson, Chase, and Ferguson, not printed, advanced the proposition that it might be necessary to provide friendly delegations with some specific idea of the United States position on stages of disclosure and verification, particularly should Vyshinsky's impending address in the First Committee prove to be conciliatory (320/11-2351).

[2] During the course of his remarks, Vyshinsky asked six specific questions regarding the tripartite proposals. He also introduced amendments to the tripartite draft resolution (A/C.1/667, November 17, p. 584). For the summary record of Vyshinsky's address, see GA(VI), *First Committee*, pp. 23–25. The Soviet amendments, contained in document A/C.1/688, appear in *Yearbook of the United Nations*, 1951 (New York, United Nations Publications, 1952), pp. 163–164.

on USGADel to particularize on disclosure, verification shld be much lessened. Accordingly, pending Dept's receipt Sov amendments, Dept feels USGADel shld not reveal in debate or discuss steps in reftel with other Dels for following reasons:

1. No matter how carefully steps identified as illustrative and not committing us, we see as most difficult US redefine them later without Sov charges bad faith, and reservations and doubts expressed by friendly Dels re care, thoughtfulness behind US disarmament proposals.
2. In view above, US public elaboration steps shld result only after careful US Govt consideration and clearance, which unlikely within next few weeks.
3. As we see it, elaboration steps can best be undertaken in new comm and not in course gen debate, where US proposals re steps might be seized upon by other Dels and possibly adopted, or modified to our detriment, leaving new comm with endorsed definition of disclosure, verification steps as guidance or part its terms reference.
4. We assume tripartite res will be adopted by substantial majority. Accordingly, unless suggested elaboration steps necessary insure majority we believe above reasons outweigh desirability detailing steps this stage in order indicate US sincerity, good faith.

Dept suggests ref to part Pres Truman's Nov. 7 speech and Sec's Nov. 19 [3] speech re steps most satisfactory answer to inquiring Dels. Further comments may follow after receipt Sov amendments.

WEBB

[3] See editorial notes, pp. 582 and 587.

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320/11-2651 : Telegram

*The United States Representative at the United Nations (Austin) to the Secretary of State, at Rome* [1]

SECRET PRIORITY PARIS, November 26, 1951—11 p. m.

Delga 371. For the Secretary from Jessup. Confirming telephone conversations with Battle,[2] Iraq, Pak and Syria this morning introduced res to establish subcomite consisting of Fr, USSR, US, UK with Pres GA as chairman. Task of subcomite was described as being attempt to report back to com I an agreed proposal presumably for the disarmament commission and its terms of ref. This proposal followed anticipated gen suggestion by India for subcomite to study tripartite res and Soviet amendments.[3] We had detected gen feeling in com that

[1] The Secretary of State had departed from Paris for Rome on November 23 in order to participate in the Eighth Session of the North Atlantic Council.
[2] Conversations not identified.
[3] For text of the tripartite resolution (A/C.1/667), see p. 584. For the Soviet amendments, A/C.1/668, see *Yearbook of the United Nations*, 1951, pp. 163–164.

subcomite of some kind shld be appointed, and we feared one containing neutrals who might bring out majority or substantial minority report watering down tri res. Proposal to have big four constitute subcomite seemed to us to avoid this danger. In essence it constitutes suggestion that three powers shld be willing to sit down with Sov Union to discuss proposals. Since willingness to do this has been our standard line, we felt we cld not oppose it. In consultation over lunch with staff, we felt that if we wld eventually participate in such a subcomite it was much better to get benefit of saying so at the outset instead of giving grudging acquiescence later. Hickerson on phone did not object to this position [4] and we understood Perkins reacted similarly. Lloyd UK and French approved. Greatly regret your msg [5] did not reach me until after I had spoken in com. In indicating continued willingness to participate in discussions with Sov Union as seemed to be basic idea of Iraqi, Pak and Syrian res I referred to fact that in deputies mtg this spring we had proposed as item CFM agenda disarmament proposals to be proposed by the four powers. I qualified acceptance of res as tabled pending further study particularly on terms of ref of subcomite. Apparently the cautions I introduced in my statement led many to feel we had rejected Iraqi, Pak, Syrian res.

My guess is com will continue several days in gen debate and then have some detailed debate probably tomorrow UK plans to give tri agreed answers to six questions proposed by Vyshinsky.[6] I will follow later possibly Thurs [7] or Fri with detailed analysis Sov amendments to original tri disarmament res. Attitude of Sovs toward subcomite proposal still undisclosed. I still feel that this exercise while probably time consuming will not be harmful and that the failure to reach agreement in the subcomite if properly handled will gain support for original tri res about which many smaller countries now seem to have doubts on ground that unless Sovs agree adoption any res is futile. On this point, I stressed necessity continuing UN efforts.

Sent Rome 250, repeated info Department Delga 371 for Hickerson. [Jessup.]

AUSTIN

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[4] Hickerson's memorandum of telephone conversation with Jessup on November 26 is not printed (320.1/11-2651).

[5] Not identified.

[6] In his address of November 24, Soviet Representative Vyshinsky asked six questions regarding the tripartite proposals; for the summary record of his remarks, see GA(VI), *First Committee*, pp. 23–25. In a statement of November 28, British Representative Lloyd responded to the questions; for the summary record of his remarks, see *ibid.*, pp. 40–41.

[7] November 29.

320/11-2851 : Telegram

*The United States Representative at the United Nations (Austin) to the Secretary of State*

SECRET NIACT PARIS, November 28, 1951—1 a. m.

Delga 384. Subj: Armaments resolution. Jessup with staff met this afternoon with Lloyd (UK) and Moch (Fr)[1] and their staffs to go over the draft text of answers to Vyshinsky's questions and to consider further what our gen approach shld be to the subcomite proposed by Iraq, Pak and Syria. In the light of the ground swell for subcomite which has developed, particularly in today's debate, Moch felt that three powers shld come out for subcomite unequivocally and promptly in order to avoid the impression that three powers are being dragged into acceptance. Lloyd shared Moch's views and the three agreed that in statement which Lloyd will make in Comite I tomorrow,[2] which will include the answers to Sov questions, he will also state that we agree in principle to the establishment of a subcomite consisting of the four powers with the president of the GA as chairman. He will say that in view of the three powers the subcomite shld be requested to bring in report by certain date, perhaps within week, but in no event later than two weeks after its creation.

By taking this position the three agreed that this might forestall amendments which wld enlarge the subcomite with "neutrals". Idea of adding others was suggested by the Egyptian in this morning's debate. Lloyd will also say in tomorrow's speech that the terms of ref of the subcomite require considerable revision.

The list of speakers for the gen debate in Comite I will be closed tomorrow. We believe that Jessup shld give his analysis of the Sov amendments to our proposals Thurs or Fri before Comite I considers res on establishment of subcomite.[3] Br and Fr felt that during subcomite consideration of disarmament proposals Comite I shld suspend its deliberations on these two items and proceed to CMC item.[4] Presumably Comite I wld return to discuss items as soon as subcomite reports.

In accordance with USGADel decision this morning we stressed need, if subcomite established, that every effort be made to secure understanding that its report shld be completed before Comite I considers next agenda item. Lloyd agreed that in his speech tomorrow he will state responsibility of Comite I in this regard.

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[1] Jules Moch, French Minister of Defense, July 1950–August 1951; Member of the French Delegation to the General Assembly.

[2] For the summary record of the address by Selwyn Lloyd, British Representative, on November 28, see GA (VI), *First Committee*, pp. 40–41.

[3] Ambassador Jessup did not present an analysis of the Soviet amendments prior to the establishment of the subcommittee by the First Committee on Friday, November 30 (see editorial note, *infra*).

[4] For documentation on the Collective Measures Committee, see pp. 616 ff.

We also discussed with Br and Fr their views on the Indian proposal for the creation of an internatl fund, etc.[5] Both Moch and Lloyd were clear that the Indian proposal aside from its merits is wholly premature and contributes nothing but confusion to disarmament debate. Lloyd suggested that India be persuaded to withdraw its proposal. USGADel staff shares Br and Fr views but feels that persuading India withdraw proposal requires discreet handling.

USGADel staff initial reaction to Indian proposal is fol:

(1) Commitment to contribute to fund cannot realistically be made until states know how much they will save by arms reduction. Obviously states wld not make contribution of all moneys saved from arms reduction.

(2) Proposal all states file statement of principles and scale on which prepared to reduce armaments cuts across work of proposed disarmament comm for whose establishment India voted in comite of twelve. Sixty UN members (no mention made of nonmember states) filing self-serving schemes and scales without further ado wld hamper and not help disarmament effort.

Request Departmental guidance on India proposal as well as on handling matter of persuading India withdraw it.[6] USGADel staff suggests matter of persuading India to withdraw be left to UK.

Sent Dept Delga 384, rptd info Rome 254.

AUSTIN

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[5] For text of the Indian draft resolution, document A/C.1/669, November 26, see United Nations, *Official Records of the General Assembly, Sixth Session, Annexes, Agenda Items 66 and 16*, p. 7 (hereafter cited as GA(VI), *Annexes*).

[6] In telegram Gadel 282, November 28, not printed, the Department expressed general agreement with the Delegation's initial reaction to the Indian proposal (320/11-2851).

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*Editorial Note*

At its 461st Meeting, November 30, 1951, the First Committee unanimously adopted resolution A/C.1/675 establishing a subcommittee consisting of the President of the General Assembly (Chairman) and representatives of the United States, the United Kingdom, France, and the Soviet Union, with instructions to formulate agreed proposals for recommendation to the First Committee. The subcommittee was requested to take into consideration the tripartite draft resolution (A/C.1/667) and the Soviet amendments to it (A/C.1/668). The First Committee directed the subcommittee to submit a report by December 10 and suspended its discussions on regulation of armaments pending the receipt of that report.

The subcommittee held ten closed meetings. Its report, document A/C.1/677, December 10, recommended the establishment of a consolidated commission to consider the regulation of atomic and con-

ventional armaments. It also listed the areas of agreement and disagreement between the Soviet Union and the United States, the United Kingdom, and France in regard to the content of the envisaged General Assembly resolution on regulation of armaments.

For the summary record of the 461st Meeting of the First Committee, November 30, see GA (VI), *First Committee*, pages 55–57. For text of resolution A/C.1/675, see GA (VI), *Annexes, Agenda Items 66 and 16*, page 14. For text of the tripartite resolution, A/C.1/667, November 17, see page 584. The Soviet amendments, A/C.1/688, appear in *Yearbook of the United Nations*, pages 163–164. For text of the report of the subcommittee, A/C.1/677, see GA (VI), *Annexes, Agenda Items 66 and 16*, pages 8–12.

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320/12–451 : Telegram

*The United States Representative at the United Nations (Austin) to the Secretary of State*

TOP SECRET PRIORITY PARIS, December 4, 1951—5 a. m.

Delga 491. Re: Disarmament item. After Monday subcom sessions [1] Lloyd revived ideas outlined last para Delga 476,[2] stressing desirability Three Powers demonstrate flexibility and retain propaganda initiative by tabling possible new formula which wld appear closer GA declaration favoring prohibition atomic weapons while clearly postponing effective date of prohibition until control system operating.

Lloyd's "draft declaration" fols:

"1. The development and use of atomic energy having now become a matter of international concern, it is the duty of every state to accept, and act in aid of, an effective system of international control adequate to ensure the use of atomic energy only for peaceful purposes and the elimination of atomic weapons from national armaments as well as to protect complying states against the hazards of violations and evasions.

"2. When the Security Council declares that an effective system of international control as provided in Article 1 has been established, then, as from the date of the declaration—

"(A) No state or individual shall manufacture, possess or use atomic weapons.

"(B) No state or individual shall use atomic energy except for peaceful purposes."

Difficulties Lloyd proposal will be stressed tripartitely tomorrow. Lloyd although inexperienced at negotiation with Soviets, is completely modest, candid and open to our suggestions. Therefore, although we feel Dept shld be aware possible dangers, we feel it not at

[1] The initial meetings of the subcommittee were held on Monday, December 3.
[2] Telegram Delga 476, December 3, is not printed.

all clear that real difficulty will emerge maintaining tripartite solidarity.[3] Estimate possible after Tuesday subcom sessions.

AUSTIN

[3] In telegram Gadel 342, December 4, the Department stated its agreement with the Delegation's position that the Lloyd draft declaration could not be supported (320/12–451).

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600.0012/12–451

*The Assistant Secretary of State for United Nations Affairs (Hickerson) to the Ambassador at Large (Jessup)*

SECRET [WASHINGTON,] December 4, 1951.

DEAR PHIL: I was glad to receive your letter of November 20[1] concerning the regulation of armaments picture in Paris. While it is true that we did not get our minds together during the stages of the drafting of the disarmament resolution, the product that resulted is probably a good one. With one very important exception, it took into consideration the most important views expressed by the Department. That one exception is that the Department felt that the resolution should be limited to creating the new machinery; turning over the tripartite program and presumably any other proposals to the Commission; and instructing the Commission to devote its efforts in the first instance to deliberations on the subject of disclosure and verification. The resolution as submitted in effect endorses the most important features of the tripartite program. One of our chief reasons for wanting to avoid the endorsement of the tripartite program was our belief that many states would then bring their own particular projects before the Committee and seek to secure the endorsement of these projects. The result would be a resolution which might completely distort the balance of the tripartite program. We have one example of such a proposal—the Indian resolution—and I fear that there will be more. However, if we can avoid this danger and secure a well-balanced resolution that will be all to the good.

Your letter raises a number of extremely interesting and important questions. With a little hesitation I am inclined to agree with your conclusion that we must go ahead with the program even if the Soviets strongly oppose the adoption of the resolution. We must go ahead at least to the point of submitting specific proposals for disclosure and verification and securing the inevitable unfavorable reaction from the Soviets. I have doubts as to whether we should go beyond that point since I fear that any false illusion of progress towards actual disarmament might interfere with the rearming of the West.

[1] *Ante*, p. 590.

I am completely in agreement with your suggestion that we must be prepared to submit proposals on disclosure and verification as soon as the Commission is organized. We have already submitted to the Conventional Armaments Commission certain papers on the most important technical phases. They are contained in United Nations document S/1690, dated August 15, 1950.[2] While these papers must be somewhat modified to conform to the requirements of (*a*) a continuing as opposed to a one-time census; (*b*) the disclosure and verification of atomic energy as well as other armaments and armed forces, nevertheless, their essentials still hold good. A State–Defense operating level working group has already started work on drafting this paper. Beyond this I am inclined to go somewhat slowly primarily for the reason that I cannot conceive of our getting agreement with the Soviets on disclosure and verification.

I agree with you and Frank that any proposal for reexamination of the atomic energy plan will encounter the strongest opposition and must be initiated directly by the President. I am having my staff go over the ground work with a view to discussing the matter with the Secretary upon his return and upon Frank's return.

I agree with you that the Secretary's speech in Committee 1 was magnificent and I think that the net effect of the tripartite approach has been entirely favorable.

Keep up the good work.

Sincerely yours, JOHN D. HICKERSON

[2] Document S/1690, a report by the Commission for Conventional Armaments to the Security Council, contained the United States working papers discussed in footnote 1, p. 501.

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Atomic Energy Files, Lot 57 D 688 [1]

*Memorandum by the Officer in Charge of International Security Affairs (Bechhoefer)*[2]

TOP SECRET [WASHINGTON,] December 4, 1951.

*Reexamination of Atomic Energy Plan.*

Mr. Hickerson's letter to Mr. Jessup [3] dealt with Mr. Jessup's suggestion that it might be desirable to reexamine the atomic energy plan and agreed with Mr. Jessup that any action in this direction must be initiated directly by the President. Mr. Hickerson's letter further stated: "I am having my staff go over the groundwork with a view to

[1] Consolidated collection of documentation in the Department of State on atomic energy policy for the years 1944–1962, including files of the Special Assistant to the Secretary of State for Atomic Energy Affairs.

[2] Directed to Assistant Secretary of State Hickerson and David H. Popper, Acting Director of the Office of United Nations Political and Security Affairs.

[3] *Supra.*

discussing the matter with the Secretary upon his return and upon Frank's return".

I discussed the matter with Mr. Chase and found that our views were very similar although to a certain extent based upon different lines of reasoning. We both felt that it would be highly inadvisable to suggest at this time modifications of the atomic energy plan. Mr. Chase stressed the strong objections raised when the matter had been previously broached. He stated that it is highly unlikely that a man like President Conant of Harvard [4] or Dr. Oppenheimer [5] would consent to take the time to discuss the revisions. They felt that the basic problem had gone beyond the control of atomic energy and involved the entire relationship of the United States and the Soviet Union. In fact Dr. Conant suggested that he would make the study only if his terms of reference included the entire foreign policy of the United States.

My line of reasoning, which reached the same conclusion, was based upon my participation during the past summer in the Atomic Energy Sub-Committee of the International Law Committee of the American Bar Association. It is my belief that if any suggestion were made for abandoning the present atomic energy plan, public reaction would be along one of the two following lines:

*a*) Why should the United States have any plan? Why should we not merely go ahead and manufacture the bomb?

*b*) The atomic energy plan is socialistic in that it does not allow private capital to operate in the field of fissionable materials. Therefore, we should have no plan and leave the matter to be worked out by *laissez-faire* competition.

While these two lines of reasoning are diametrically opposed they reach the same result:—abandonment of the atomic energy plan without substituting anything for it.

Mr. Chase and I both felt that the matter might be changed if by any chance the Soviet Union agreed to an effective system of disclosure and verification. Such a concession, which we do not anticipate, would reflect a basic change in Soviet policies that it would be necessary for the United States to readjust its entire foreign policy including the matter of atomic energy.

BERNHARD G. BECHHOEFER

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[4] Dr. James B. Conant, President of Harvard University; Member of the General Advisory Committee of the United States Atomic Energy Commission since 1946.

[5] Dr. J. Robert Oppenheimer, Chairman of the Institute for Advanced Study, Princeton, New Jersey; Chairman of the General Advisory Committee of the U.S. Atomic Energy Commission since 1946.

600.0012/12-451

*The Director of the Psychological Strategy Board (Gray) to the Under Secretary of State (Webb)*

TOP SECRET EYES ONLY WASHINGTON, December 4, 1951.

DEAR JIM: Items keep appearing in the papers to the effect that the United States will reduce its arms budget next year, and that our allies will do the same, as a result of economic necessity.

If it is true that we plan to reduce our arms expenditures, we may be throwing away a great opportunity by a casual release of such information.

It seems to me that we could announce the possible coming reduction in a dramatic way as a token of our sincerity in presenting our disarmament proposals. The President, for example, could announce that we will cut our arms budget so many billions as a demonstration of our peaceful purposes and of our faith in our inherent strength. This would help give an element of plausibility to our disarmament proposals and could be followed by similar announcements in Britain and France.

If it should be decided that we should make a virtue of necessity in this way, of course, steps should be taken to bottle up further casual statements. Obviously, such an approach would also require some fast planning and diplomacy to make sure that the European nations do not go into a tailspin on rearmament.

I should like very much to discuss this with the members of our Board at our luncheon on Thursday.[1] At this point this matter has been discussed only with the Assistant Director of the Office of Plans and Policy in my staff.

Sincerely, GORDON GRAY

[1] December 6.

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IO Files: US/A/M(Chr)/213

*Minutes of the Twenty-sixth Meeting of the United States Delegation to the Sixth Regular Session of the United Nations General Assembly, Hotel Astoria, Paris, December 5, 1951*

SECRET

[Here follow a list of those present (43), the agenda of the meeting, and discussion of the first agenda item.]

2. Ambassador Jessup described to the Delegation the nature of the discussions in the Sub-committee on armaments. The central point of the Soviets had been made quite clear during the course of the discussions so far. They were making every effort to have attention

directed to their proposal for beginning by obtaining an unconditional declaration by the General Assembly that atomic bombs were against the conscience of mankind, and against the Charter, and should be abolished forthwith. In regard to control, and the simultaneity thereof, Vyshinsky had said that prohibition would come first, by way of the above-mentioned unconditional declaration. Thereafter, a Convention would be drawn up for the effective international control of atomic energy. The implication was that these two would be virtually simultaneous, with perhaps a simple Convention being drawn up almost at once. Then later, Vyshinsky admitted that it might take some while to draft and gain acceptance for this Convention. He was quite inconsistent on the time elements involved. He was quite firm however in rejecting the "UN plan". He suggested that the West put forward a simple plan acceptable to the USSR, after the Western representatives had asked him what he had in mind for this "simple Convention". So far he had given no indication that the Russians would be willing to accept even a minimum of control.

In regard to the problem of inspection, Vyshinsky had said that the USSR advocated a program of effective inspection immediately after the General Assembly declaration outlawing the Bomb. This was the line he had given to the press. In the Sub-Commission he had said that of course this couldn't happen at once. Everything he said seemed to add up to the same old line: outlaw the bomb, then discuss control and inspection later in detail.

In the field of conventional armaments, Vyshinsky had indicated rejection of the balanced reduction formula, insisting on an across-the-board one-third reduction. He had argued a long time on the necessity for defining the meaning of "substantial" contained in the tripartite language. At the same time he used the term "substantial" in his own proposal. As for the parties to the Atomic Energy Convention, Vyshinsky insisted on including states like Belgium and others who had uranium ore at their disposal, while insisting that only the Big Five need reduce their conventional arms. In this way he brushed off Rumania and Italy.

Some constructive elements had come out of the discussions so far. The Soviets had agreed to the idea of a new commission to take the place of the two other ones, and had agreed on its composition. The Soviet-proposed name had been accepted, while the word "Disarmament" was dropped from the title. This tallied with the position of the Department of State, so we had no trouble accepting it. Vyshinsky stated his unwillingness to "note the Report of the Committee of Twelve" since the Soviets had voted against it. However, he was willing to "note the recommendations" contained in the report.

Ambassador Jessup stated that while the above agreements were in a sense inconsequential, they were still an important element in indi-

cating that the Soviets were agreeing to discuss the two problems together. They could still "slide out" over the terms of reference, but he felt that they would agree to work in the Commission. He was certain that they were working primarily for the General Assembly declaration outlawing the bomb, and working very hard for that objective. He felt it would not be difficult to get the General Assembly to agree to the interconnection of the two fields. Today in the Sub-Commission the discussions would go ahead to the operative parts of the tripartite proposal and to the terms of reference for the Commission.

Mrs. Roosevelt had gathered that the United States military thought that it was essential not to do anything in the Atomic Energy field without including conventional armaments. She wondered whether it would be possible to agree in principle on separate fields with the understanding that neither would go into effect until a whole scheme had been accepted. Ambassador Jessup said that this idea had appealed very much to Mr. Lloyd of the United Kingdom. The reply of the Department to this pointed out the difficulties involved. The primary point was that Vyshinsky was not willing to compromise anyway. It would also be very difficult to find any other words which would avoid the immediate imposition of a moral stigma. We favored abolishing the bomb but only when an effective system of international control and inspection had been put into effect. Vyshinsky wanted simple abolition.

Mr. McKeever [1] urged that the name of the new commission not be changed by dropping all reference to "disarmament". He felt that the propaganda advantage and initiative we had obtained by the tripartite proposal came largely from the use of this term. It had a quality which made it very difficult for the Soviets to oppose. Ambassador Jessup said that "disarmament" could mean less than total disarmament, as used in the title for the Commission. The reason for acceding on the matter of the name was to avoid giving the Soviets ammunition for claiming that the West would not yield on a single matter. He suggested that perhaps we could have a small state propose in Committee One that the report of the Sub-Committee be amended to change the name in the manner indicated by Mr. McKeever.

Ambassador Gross suggested that the new group be called the Commission for Control and Reduction of Armaments, without using the word "atomic". Ambassador Jessup said we could not avoid using "atomic".

Mr. Maktos [2] proposed agreeing to announce the prohibition of atomic bombs subject to a condition subsequent, without attaching

[1] Porter McKeever, Director of Information, United States Mission at the United Nations; Adviser, U.S. Delegation to the General Assembly.

[2] John Maktos, Assistant Legal Adviser for Near Eastern, South Asian, and African Affairs; Adviser, United States Delegation to the General Assembly.

any moral stigma to the abolition. The condition would be complete agreement upon a program for effective control and inspection, without which the abolition declaration would not go into effect. Mrs. Roosevelt suggested that the precise wording of such matters could better be worked out privately. Ambassador Gross then returned to his second point, which became apparent after a conversation with Mr. Lloyd. Ambassador Gross wondered if our objection to the GA declaration of abolition of the bomb was not more fundamental than we had so far indicated. The simple fact of the matter was that to abolish atomic weapons left the Soviets in a position of superiority with their arsenal of conventional armaments. The indications from this conversation were that there were many people who were not so aware of this fact as we were inclined to assume. Mrs. Roosevelt thought that the necessity of educating the public on this point was appearing on all sides. Ambassador Gross had received the same impression from a conversation with Dr. Politis.[3]

Mr. Vorys felt that we should do everything possible to awaken the public to the folly of submitting only atomic energy to international control so long as conventional armaments could remain untouched.

[Here follows discussion of other subjects.]

[3] Jean Politis, Greek Permanent Under Secretary of Foreign Affairs; Chairman of the Greek Delegation to the General Assembly.

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320/12-651 : Telegram

*The United States Representative at the United Nations (Austin) to the Secretary of State*

SECRET NIACT PARIS, December 6, 1951—6 p. m.

Delga 533. Re Delga 529.[1] Tri Wed eve [2] produced strong dose UK–Fr pressures, anticipated in reftel, make apparent concessions to Sovs to demonstrate good faith.

Principal pressure was from Moch, who had just spoken to Schuman. Both felt, in response Fr public opinion, very important that disarmament debate appear produce something positive. Also important that Three Powers not appear intransigent in negotiating these vital problems with Sovs. Report of flat disagreement without evidence we attempted bridge gap likely result in at least twenty abstentions in Comite 1 vote on tri res. To indicate Three Power intention leave no stone unturned, Moch suggested subcomite cld submit neutral report to Comite 1 Monday at which time Three Powers wld request ten day recess for consultation with govts, after which sub-

[1] Telegram Delga 529, December 6, is not printed.
[2] December 5.

comite cld reconvene and consider new proposals which might arise both sides and report back about Jan 1.

Lloyd felt "new proposals" shld be put forward as index tri good faith. Had felt such proposals shld be tabled subcomite, now inclined favor introducing them in Comite 1, without prior consideration in subcomite. But agreed with point stressed by Lacoste and Jessup that tri submission new proposals at Dec 10 resumption Comite 1 wld expose Three Powers justified Vishinsky charges bad faith.

Moch admitted he had no concrete changes in tri res in mind; Lloyd felt simply that we might modify res to give disarmament comite freer scope by not insisting on details of all para five principles, perhaps might also modify to incorporate substance his concept future prohibition atomic weapons.

Jessup made clear US strongly opposed any postponement, since this wld raise false hopes our friends and convince USSR we lead from weakness not strength. Also made clear we have no "new proposals" in mind which Three Powers cld offer either next week or after Moch's proposed delay. Stressed retrogression involved in res establishing comite without terms ref. Jessup said wld consult Dept re UK and Fr views.

Lloyd, Moch and Jessup did agree that further tri discussion subcomite and Comite 1 strategy essential immed future perhaps today, (Thurs). Lloyd said he wld prepare draft for consideration.

In view of these Fr and UK attitudes, staff has been considering possible effect on GA and public opinion of tri res were revised to approximate approach developed in draft contained Gadel 145.[3] Dept will recall exchange of views on this point in Delgas 191 and 192, Gadel 131, 145 and 152.[4] Such approach might contain para along lines formulation contained Delga 529, if pressures for inclusion such formulation crystallize. Jessup and staff continue to believe something like present tri res important in order to show positive accomplishments this GA and provide clear-cut terms of ref for new comite. Moreover now that tri res has been introduced and recd support in Comite 1 debate, it wld be regarded as setback if we abandoned it for res merely establishing new comite. However, in anticipation of possible move in this direction, we wld like Dept's guidance, since moves in subcomite or parliamentary situation in Comite 1 may develop in such way as to require quick decisions.[5]

AUSTIN

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[3] Telegram Gadel 145, November 14, is not printed.

[4] None printed.

[5] In telegram Gadel 365, December 6, not printed, the Department of State expressed agreement with the Delegation's position that the basic principles of the tripartite draft resolution (A/C.1/667, p. 584) should not be compromised. The Department also agreed that postponement of the debate on regulation of armaments was inadvisable. (320/12–651)

IO Files: US/A/M(Chr)/215

*Minutes of the Twenty-eighth Meeting of the United States Delegation to the Sixth Regular Session of the United Nations General Assembly, Hotel Astoria, Paris, December 7, 1951*

SECRET

[Here follow a list of those present (49), the agenda of the meeting, and discussion of the first agenda item.]

2. *Developments in Disarmament Subcommittee.*

Ambassador Jessup felt that the Delegation should consider the progress thus far on the armaments debate in the Sub-Committee. The officers of the Delegation ought to be well-enough informed of the developments to talk with other delegations about them, and should also be thoroughly briefed on what our basic positions were.

Ambassador Jessup summarized the Soviet position by saying that their basic aim was to have the General Assembly decree the immediate "prohibition" of atomic weapons and also decree the establishment of "effective international control" leaving the details of such control to be worked out later. Vyshinsky had been forced to admit in the sub-committee that there would be a time lapse between the decreeing of international control and the actual operation of such a control scheme. Vyshinsky had "wobbled" considerably as to the exact sequence of events and how they were to be accomplished. Vyshinsky's aim in the field of controls was merely to "prohibit" atomic weapons, but not to implement the prohibition through control over the whole process of atomic energy production as we felt was necessary. In Vyshinsky's view, inspection by itself would give the necessary control. We maintained that much more was needed. Vyshinsky's basic aim was clear when he had said that even if we could not reach agreement on control we could at least accomplish a "ban" on atomic weapons. An isolated agreement to bar atomic weapons would of course leave the USSR in a position of clear military superiority because of its preponderant strength in conventional armaments.

In the field of conventional armaments, the USSR wanted the Big Five to cut their arms by one-third. This would be done within a year after a General Assembly resolution to this effect. With evident inconsistency Vyshinsky had described such a resolution as merely a "recommendation" by the General Assembly, while he had maintained that the General Assembly could take a "decision" that atomic weapons be prohibited.

In contrast to the Soviet position the US wanted to move forward on a scheme which would include the whole area of armaments, establishing a system for the regulation, limitation and balanced reduction of both conventional and atomic weapons. In this connection Ambassador

Jessup mentioned that the staff was preparing a brief history of the problem of atomic energy in the U.N.

Padilla Nervo [1] and the Secretariat were to draw up and submit to the sub-committee that morning a paper outlining the areas of Subcommittee agreement and perhaps suggesting the transfer to the new commission of the unagreed items. Vyshinsky had "uttered noises" which indicated he was waiting for instructions on this proposal.

The French and UK kept calling attention to the problem of public opinion. They felt that the rearmament effort and the austerity program required their Governments to be able to show their people they were doing everything possible to compose their differences with the Soviet Union. After that they would "buckle down" to a genuine effort to re-arm. To effect these results they were inclined to try to whittle away many of the directives to the new commission which we wanted inserted in the resolution. The French had shown, however, that they wanted to retain the essentials of the UN plan on atomic energy.

The point to which Ambassador Jessup wanted to address himself in particular was that in all our previous positions we had always kept a reference to the fact that we wanted eventual prohibition of the atomic bomb. He said that it was extremely difficult to cast this intent into words which would indicate our sincerity regarding the eventual prohibition, but which would also assure that the prohibition could only come about with appropriate safeguards; the language used must also avoid the stigma which [would] be attached to our actions if we were forced at some time in the future, before effective prohibition had been agreed upon to use the bomb. With respect to this drafting problem, Ambassador Jessup felt that the Sub-committee should go back to Committee One with an indication of the West's willingness to meet the Soviets on any fair compromise, if at all possible. For this purpose he wanted to hear a discussion by the Delegation as to how much flexibility of language could be safely pursued.

Ambassador Kirk wished to reinforce certain aspects of Ambassador Jessup's remarks. The Soviet attitude was significant, he thought, in that it had clearly indicated its desire to destroy our superiority in the one field in which we held the upper hand.

In one blow they would have the General Assembly decree the unconditional prohibition of the atomic weapon. Should the Assembly undertake such action, it would launch an unalterable and unforeseeable chain of events, certain to lead to disaster. The free world must not take a single step down such a road. Mr. Sandifer agreed fully with what Ambassador Kirk had said. We must not even consider at this time using words which would deal with the present prohibition of our one source of security. Regardless of the form, the Soviets

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[1] Luis Padilla Nervo of Mexico, President of the General Assembly and Chairman of the disarmament subcommittee.

would twist it to their benefit. Their aim in this regard was perfectly clear. Ambassador Gross also indicated his agreement with what had been said, but wanted to add that we were losing sight, it seemed to him, of the primary problem of aggression. Weapons per se had no character, either of aggression or defense. The criminal was the aggressor rather than the user of any particular kind of weapon.

Mrs. Roosevelt [2] said that there was a tendency in the UK and France to give way in words on anything which might make their public feel a conciliatory attitude was being taken. Prime Minister Churchill was not going to make any departures from Labour policy on this matter. His majority was too slim. She felt that we must be certain not to change on any important matters, but on minor ones we should weigh our words in order to give the impression of flexibility, without changing our basic position.

Mr. Vorys asked where the Soviets stood on the census question. Ambassador Jessup said they had indicated no particular opposition to it, but he felt this was camouflaging their basic aims, and that their opposition would be much more clear when the debate got down to details.

Ambassador Jessup said that the Department now disapproved of the Delegation going back to the resolution which the Department had wanted introduced in the first place. They said that to go back would be a major defeat. Ambassador Jessup wanted to register his opposition to this philosophy that we were tied to our papers, to the extent that if one of them were changed we were thereby the losers. Going back to an earlier position would not, in his opinion, be a retreat at all.

Senator Cooper [3] indicated his agreement that we should not at this time talk about prohibiting the atomic weapon. Mr. Cohen also did not want the US to make any embarrassing commitments. He thought, however, that in order to get the maximum public support at home we should accept a resolution allowing the US to go in and talk about all aspects of the problem, so long as we were free to adhere to our basic position. We would gain goodwill by retaining a useful flexibility, without any change in principle. We should show that our objective was to obtain the elimination of all mass armies and weapons of mass destruction. Mrs. Roosevelt summarized the Delegation position as being that it felt Ambassador Jessup should indicate to the Department that words were not absolutely vital, so long as our principles remained intact.

CHARLES D. COOK [4]

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[2] Acting Chairman of the Delegation.

[3] John Sherman Cooper, former United States Senator from Kentucky; Alternate Member of the United States Delegation to the General Assembly.

[4] Adviser, United States Mission at the United Nations, and Adviser, U.S. Delegation to the General Assembly.

320/12-751 : Telegram

*The United States Representative at the United Nations (Austin) to the Secretary of State*

SECRET PRIORITY PARIS, December 7, 1951—9 p. m.

Delga 552. Limited Departmental distribution. Subject: Disarmament. At mtg with UK and Fr to discuss Secretariat memorandum on areas of agreement of disarmament subcomite,[1] Lloyd suggested policy of avoiding impression of break with Soviet by remitting outstanding questions to new commission. He said that Commonwealth members were unanimously of view it wld be better to keep contact with Soviet in new com by starting it off in neutral manner. He said further that he had discussed this with Eden who, although giving UK del free hand, urged policy of avoiding apparent breakdown in subcomite. When asked by Jessup what constituted breakdown, Lloyd replied what he meant was subcomite reporting no agreement and comite 1 passing tri draft without any concession to Soviet.

Moch expressed agreement with Lloyd's view and renewed his suggestion (Delga 533) [2] that there might be suspension of subcomite work during which experts cld work out new language for res and obtain clearance in London and Washington.

On Jessup's suggestion it was agreed that further consideration this question shld await Vyshinsky's reaction to Secretariat paper.

AUSTIN

[1] The memorandum in the form approved is contained in the report of the subcommittee to the First Committee, document A/C.1/677, December 10; for text, see GA (VI), *Annexes, Agenda Items 66 and 16*, pp. 8–12.

[2] December 6, p. 604.

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IO Files : US/A/M(Chr)/216

*Minutes of the Twenty-ninth Meeting of the United States Delegation to the Sixth Regular Session of the United Nations General Assembly, Hotel Astoria, Paris, December 10, 1951*

SECRET

[Here follow a list of those present (51), the agenda of the meeting, and discussion of the first agenda item.]

2. *Developments in the Disarmament Sub-Committee.*

Ambassador Jessup outlined the most recent developments in the Sub-Committee. Padilla Nervo had come up with a memorandum which had been completely unacceptable in that it was inaccurate and slanted to the Soviet viewpoint, and painted "in rosy colors" agreements which did not in fact exist within the Sub-Committee. A revised

version of this memorandum had been presented to the Four Powers last night and had met with general approval. A few changes were all that would be needed to make it completely acceptable. These could be made in line with the agreed principle that each power would be free to state its own case, to make corrections in the explanation of its own views. Through this device it would be unnecessary for the United States to append an annex further stating its views. The expectation was that the revised version of Padilla Nervo's memorandum would be the Report of the Sub-Committee [1] and would be submitted as such just before midnight to meet the deadline of the First Committee. Mr. Lloyd of the United Kingdom would speak first on the Western views the next day in Committee One.

In regard to the question of amendments to the tripartite resolution, Ambassador Jessup said that the United Kingdom had some ideas which he was not quite sure would be appropriate. An effort was being made to dissuade them from introducing any. The Department had authorized the Delegation to clarify the language in regard to prohibition of the atom bomb, in regard to the control system, and to make clear that the new Commission could consider any appropriate plans or proposals submitted by other states. Ambassador Jessup felt the United Kingdom might give him some trouble on the question of amendments, and mentioned that they were asking for delay, while the United States wanted to move forward.

In conversations with the United Kingdom and French, the idea had been adopted of suggesting to key delegations, who were usually the source of amendments, that they refrain from tabling any specific amendments but rather make suggestions into their speeches. Then when it came time to create the new Commission the resolution could take into account the debate that had been held on the subject in Committee and thereby authorize the new Commission to consider these points. He felt that the time schedule from all indications would require the First Committee debate to carry on into the following week. This would be unfortunate from our point of view.

The Delegation had no comment to make on Ambassador Jessup's presentation. Mrs. Roosevelt [2] considered this silence as approval of the course we had been following in the Sub-Committee.

[Here follows discussion of another subject.]

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[1] For text of the report, document A/C.1/677, December 10, see GA(VI), *Annexes, Agenda Items 66 and 16*, pp. 8–12.

[2] Acting Chairman of the Delegation.

IO Files: US/A/M(Chr)/217

*Minutes of the Thirtieth Meeting of the United States Delegation to the Sixth Regular Session of the United Nations General Assembly, Hotel Astoria, Paris, December 11, 1951*

SECRET

[Here follow a list of those present (49), the agenda of the meeting, and discussion of the first agenda item.]

2. *Developments in the Disarmament Sub-Committee*

Ambassador Jessup pointed out that there had been unanimous approval for the report of the Sub-committee. This was based on the second draft of Padilla Nervo's memorandum, as amended by us and by others. The atmosphere at the last meeting had been extremely cordial.

Problems still remaining for solution were outlined by Ambassador Jessup. With the United Kingdom and the French there was the problem that both were willing to emasculate the draft tripartite resolution to make it more agreeable to the Soviets. Secondly, Padilla Nervo had suggested that other states might wish to add amendments. For this purpose he had suggested to us the possibility of having two resolutions: one would be an innocuous resolution simply establishing the new Commission, to which the Soviets could agree. The other would contain all the principles which the Soviets cannot agree to. Ambassador Jessup said that it would be a great problem of tactics to solve this situation.

At the meeting of Committee One that day Mr. Lloyd (UK) would make the first speech. Changes had been prepared in the draft resolution which would take into account the points on which quadripartite agreement had been reached in the Sub-committee.

Ambassador Jessup hoped that things could be kept moving in the First Committee so that not only the Disarmament item but also the CMC item could be completed before the Christmas recess. Ambassador Jessup suggested that the political officers stress the results of the Subcommittee debate and the desirability of establishing the new Commission promptly so that it could begin its work.

In regard to a question by Ambassador Gross as to the control organ to be established, Ambassador Jessup said that the United States had accepted general Language in this regard since 1946, with only one exception. The powers for it would have to be spelled out in a Treaty which would keep things "within the framework of the Security Council". Vyshinsky had agreed that there would be no veto in its operation up to a certain point. That point was where the control organ decided to provide for sanctions against violations. At that point, although he was a little vague, Vyshinsky seemed to feel that a veto would apply.

Mr. Meyers felt that Vyshinsky had slid over this matter rather delicately without committing himself to anything concrete.

CHARLES D. COOK

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*Editorial Note*

The First Committee resumed its consideration of regulation of armaments on December 11, 1951, having before it the report of the subcommittee, document A/C.1/677, December 10 (for text, see GA (VI), *Annexes*, *Agenda Items 66 and 16*, pages 8–12). The Committee also considered document A/C.1/668/Rev. 1, December 11, revised Soviet amendments to the United States–United Kingdom–France draft resolution (A/C.1/667, November 17, page 584). For text of A/C.1/668/Rev. 1, see GA (VI), *Annexes*, *Agenda Items 66 and 16*, pages 6–7, or *Documents on Disarmament*, *1945–1959*, volume I, pages 330–333. For the record of the statement by Selwyn Lloyd, the British Representative, regarding the Soviet amendments, December 11, see GA (VI), *First Committee*, pages 61–63, or *Documents on Disarmament*, *1945–1959*, volume I, pages 333–336.

At the 466th Meeting of the First Committee, December 14, the United States, the United Kingdom, and France introduced a revision of their draft resolution, document A/C.1/667/Rev. 1; for text, see GA (VI), *Annexes*, *Agenda Items 66 and 16*, pages 15–16. On December 18, the Soviet Union submitted amendments applicable to the revised tripartite draft, contained in document A/C.1/668/Rev. 2. For text, see *ibid.*, pages 16–18. Amendments to the tripartite resolution were also submitted by Lebanon, Egypt, and Czechoslovakia, and a separate draft resolution was introduced by Poland. For texts, see *ibid.*, pages 12–13.

The First Committee concluded discussion of the subject on December 18. At the 471st Meeting, December 19, voting took place on the various draft resolutions and amendments. The revised tripartite draft resolution, incorporating amendments proposed by Lebanon and Peru, was adopted as a whole by a roll-call vote of 44 to 5 with 10 abstentions. For the summary record of the 471st Meeting, see GA (VI), *First Committee*, pages 99–102. The action by the Committee is also described in its report, document A/2025, December 22; for text, see GA (VI), *Annexes*, *Agenda Items 66 and 16*, pages 13–19. The text approved by the First Committee, which was adopted by the General Assembly on January 11 as resolution 502 (VI), reads as follows:

## Regulation, Limitation and Balanced Reduction of All Armed Forces and All Armaments

### INTERNATIONAL CONTROL OF ATOMIC ENERGY

*The General Assembly*,

*Moved* by anxiety at the general lack of confidence plaguing the world and leading to the burden of increasing armaments and the fear of war,

*Desiring* to lift from the peoples of the world this burden and this fear, and thus to liberate new energies and resources for positive programmes of reconstruction and development,

*Reaffirming* its desire that the United Nations develop an effective collective security system to maintain the peace and that the armed forces and armaments of the world be progressively reduced in accordance with the purposes and principles of the Charter,

*Believing* that a necessary means to this end is the development by the United Nations of comprehensive and coordinated plans, under international control, for the regulation, limitation and balanced reduction of all armed forces and all armaments, for the elimination of all major weapons adaptable to mass destruction, and for the effective international control of atomic energy to ensure the prohibition of atomic weapons and the use of atomic energy for peaceful purposes only,

*Recognizing* that a genuine system for disarmament must include all kinds of armed forces and armaments, must be accepted by all nations whose military resources are such that their failure to accept would endanger the system, and must include safeguards that will ensure the compliance of all such nations,

*Noting* the recommendation of the Committee of Twelve established by resolution 496 (V) that the General Assembly should establish a new commission to carry forward the tasks originally assigned to the Atomic Energy Commission and the Commission for Conventional Armaments,

1. *Establishes* under the Security Council a Disarmament Commission. This commission shall have the same membership as the Atomic Energy Commission and the Commission for Conventional Armaments, and shall function under the rules of procedure of the Atomic Energy Commission with such modifications as the Commission shall deem necessary;

2. *Dissolves* the Atomic Energy Commission and recommends to the Security Council that it dissolve the Commission for Conventional Armaments;

3. *Directs* the Disarmament Commission to prepare proposals to be embodied in a draft treaty (or treaties) for the regulation, limitation and balanced reduction of all armed forces and all armaments,

for the elimination of all major weapons adaptable to mass destruction, and for effective international control of atomic energy to ensure the prohibition of atomic weapons and the use of atomic energy for peaceful purposes only. The Commission shall by guided by the following principles:

(*a*) In a system of guaranteed disarmament there must be progressive disclosure and verification on a continuing basis of all armed forces—including para-military, security and police forces—and all armaments including atomic;

(*b*) Such verification must be based on effective international inspection to ensure the adequacy and accuracy of the information disclosed; this inspection to be carried out in accordance with the decisions of the international control organ (or organs) to be established;

(*c*) The Commission shall be ready to consider any proposals or plans for control that may be put forward involving either conventional armaments or atomic energy. Unless a better or no less effective system is devised, the United Nations plan for the international control of atomic energy and the prohibition of atomic weapons should continue to serve as the basis for the international control of atomic energy to ensure the prohibition of atomic weapons and the use of atomic energy for peaceful purposes only;

(*d*) There must be an adequate system of safeguards to ensure observance of the disarmament programme, so as to provide for the prompt detection of violations while at the same time causing the minimum degree of interference in the internal life of each country;

(*e*) The treaty (or treaties) shall specifically be open to all States for signature and ratification or adherence. The treaty (or treaties) shall provide what States must become parties thereto before the treaty (or treaties) shall enter into force;

4. *Directs* the Commission, when preparing the proposals referred to in the preceding paragraph, to formulate plans for the establishment within the framework of the Security Council of an international control organ (or organs) to ensure the implementation of the treaty (or treaties). The functions and powers of the control organ (or organs) shall be defined in the treaty which establishes it;

5. *Directs* the Commission, in preparing the proposals referred to in paragraph 3 above, to consider from the outset plans for progressive and continuing disclosure and verification, the implementation of which is recognized as a first and indispensable step in carrying out the disarmament programme envisaged in the present resolution;

6. *Directs* the Commission, in working out plans for the regulation, limitation, and balanced reduction of all armed forces and all armaments,

(*a*) To determine how overall limits and restrictions on all armed forces and all armaments can be calculated and fixed;

(*b*) To consider methods according to which States can agree by negotiation among themselves, under the auspices of the Commission,

concerning the determination of the overall limits and restrictions referred to in sub-paragraph (*a*) above and the allocation within their respective national military establishments of the permitted national armed forces and armaments;

7. *Directs* the Commission to commence its work not later than thirty days from the adoption of this resolution and to report periodically, for information, to the Security Council and to the General Assembly, or to the Members of the United Nations when the General Assembly is not in session. The Commission shall submit its first report not later than 1 June 1952;

8. *Declares* that a conference of all States should be convened to consider the proposals for a draft treaty (or treaties) prepared by the Commission as soon as the work of the Commission shall have progressed to a point where in the judgment of the Commission any part of its programme is ready for submission to governments;

9. *Requests* the Secretary-General to convene such a conference when so advised by the Commission;

10. *Requests* the Secretary-General to furnish such experts, staff and facilities as the Commission may consider necessary for the effective accomplishment of the purposes of the present resolution.

For the official text of Resolution 502(VI), see United Nations, *Official Records of the General Assembly, Sixth Session, Resolutions Adopted by the General Assembly during the Sixth Session*, pages 1–2.

# UNITED STATES POLICY WITH RESPECT TO PROPOSALS FOR STRENGTHENING THE UNITED NATIONS SYSTEM IN ORDER TO MEET FUTURE AGGRESSION; THE WORK OF THE COLLECTIVE MEASURES COMMITTEE

320.2–AC/1–2051 : Airgram

*The Secretary of State to the United States Representative at the United Nations (Austin)*

SECRET

WASHINGTON, January 20, 1951.

A–17. Fol prelim Dept views re work of CMC are transmitted for your use in prelim discussions with UK, Fr, SYG Reps, and with Dels of other members of CMC in order achieve gen agreement re approach and work of CMC before initial meeting. Your comments welcomed.

I. *Gen Approach to Work of CMC*

1. *Gen Objectives of CMC Project*

It is clear that the development of means and measures adequate to meet aggression is the outstanding need of the internatl community as a whole, and that such measures must be planned in advance to avoid improvisation after aggression is in motion, as had to be done in the Korean case.[1] This need is both immediate and long-range in its nature. To meet it the US is, as you know, exerting every effort to develop on regional or mutual assistance basis, particularly in NATO,[2] effective means of collective use of force. At same time we believe it essential to proceed actively with development of collective security measures on world-wide scale, i.e. to build up in advance capacity of UN as whole to act effectively against aggression. This is essential thought underlying Parts C and D of Res on Uniting for Peace.[3]

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[1] Documentation on the Korean conflict is presented in volume VII.

[2] For documentation on the North Atlantic Treaty Organization, see vol. III, pp. 1 ff.

[3] The Uniting for Peace Resolution, Resolution 377 (V) adopted by the General Assembly on November 3, 1950, contained the following basic provisions:

A) The General Assembly resolved to devote prompt consideration to collective action against aggression in the event that the Security Council was unable to act due to lack of unanimity.

B) A Peace Observation Commission was established to observe and report on situations causing international tension.

C) Member states of the United Nations were asked to maintain armed forces elements available for service as United Nations units upon the recommendation of the Security Council or General Assembly.

D) The General Assembly established a Collective Measures Committee to

We believe work of CMC during this year must be directed toward achievement of both long-range and short-range objectives. First, the CMC shld develop before Sept 1, 1951 the broad outlines of a collective system for the use of armed forces, facilities and resources to furnish basis for further recommendations by 6th GA. Suggested program of work set forth under II below is framed with this objective in view. It is clear that a considerable period of time may elapse before final adoption of all collective security arrangements resulting from these studies.

CMC shld thus lay foundation for building fully effective system of collective security. But it shld not concentrate in planning foundation at expense of immed accomplishment which at the end of the first year will make the UN better able to act collectively against aggression than it was a year ago.

The Uniting for Peace Res contemplates during initial period, the promotion of individual effort by member States to develop their capability to assist in UN collective action, and consultation and cooperation between member States and the UN in such efforts. (See paras 7–11 of Res.) Therefore, CMC shld, in addition to the prosecution of its formal studies, be available to consult with and give appropriate advice to states working toward this end. It is hoped that, by end of year, practically every UN member will have developed some increment of concrete help available to UN for action against aggression.

In all of this work, the greatest stress shld be laid upon the point that the UN system for collective security is to be used only pursuant to the Charter and against aggression wherever aggression may occur. The CMC and possible successor bodies of the UN cannot be limited to the consideration of measures to repel only small-scale aggression. Nor shld their task be conceived as the preparation of measures against only such aggression as may be committed by the USSR or by some other particular country. FYI it is at the same time important for the US to bear in mind that if gen war shld break out it wld be our objective that it be waged between the UN and the enemy, rather than

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14 members (Australia, Belgium, Brazil, Burma, Canada, Egypt, France, Mexico, Philippines, Turkey, the United Kingdom, the United States, Venezuela, and Yugoslavia) to study and report to the Security Council and the General Assembly by September 1, 1951, on methods which might be used to maintain and strengthen international peace and security.

E) The General Assembly urged member states to intensify individual and collective efforts to achieve observance of human rights, economic stability, and social progress.

For text of Resolution 377 (V), see United Nations, *Official Records of the General Assembly, Fifth Session, Resolutions Adopted by the General Assembly*, pp. 10–12 (hereafter cited as GA (V), *Resolutions*), or Department of State *Bulletin*, November 20, 1950, pp. 823–825. For documentation on the formulation of the Uniting for Peace Resolution, see *Foreign Relations*, 1950, vol. II, pp. 303 ff.

between the US or even the US plus its Allies and the enemy. To this end we wld, therefore, in war want to use the CMC or similar UN collective machinery to help organize a world-wide coalition against the enemy. While this objective is potential and contingent and of course unexpressed, it shld be borne in mind in connection with our approach to the work of the CMC, the relationships between the UN and regional security systems and similar problems.

2. *Gen Nature of CMC Functions*

Dept considers tasks of CMC to be more than merely technical in nature. Terms of reference of Comite are so broad that action taken under them must be organized within a gen polit framework which provides the basis for technical action in, for example, military and economic fields. Thus, at outset of long-range planning and study, CMC must to considerable extent deal with problems which are polit in nature. We accordingly envisage that the Reps on CMC, who wld not themselves be technical experts, wld have high-level technical advisers. In order to deal with such technical problems as may arise, the CMC will probably find it desirable to appoint specialized subcomites or working parties.

3. *Relationships to Military Staff Comite*

Questions will arise concerning the relationship between the program of the CMC and that of the MSC, especially if the USSR shld seek to renew discussions in the MSC in order to undercut the CMC effort. It is believed that the CMC effort shld proceed without any relationship to the MSC. It shld be noted that the Uniting for Peace Res was intended to insure that the UN have "at its disposal means for maintaining internatl peace and security *pending* the conclusions of Article 43 agreements".[4]

4. *Relationship to Regional Pacts*

The question of relationship of UN system of collective security to regional pacts will arise at many points. The relationship of the UN system to regional or defense pacts or organizations in existence or which may be created will necessarily be worked out in the course of the development of the UN program. The Res itself requires that "account be taken of collective self-defense and regional arrangements."

5. *CMC Operations in Connection with Korean Crisis*

Although it was not originally contemplated that CMC wld perform UN functions in Korean crisis, we see certain advantages, as you

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[4] Article 43 of the United Nations Charter (Department of State Treaty Series No. 993, or 59 Stat. (pt. 2) 1031) specified that all members would make forces and facilities available to the Security Council upon call, in accordance with agreements between the Security Council and member states. Negotiations in the Military Staff Committee of the Security Council since 1946 had failed to produce arrangements whereby forces were actually placed at the disposal of the Council. Documentation on this subject is included in material on regulation of armaments in *Foreign Relations*, volume I for the years 1946–1950.

know, in its possible use under the authority of the GA as a mechanism for the consideration of collective measures against Chi aggression. This is additional reason for favoring early org of the CMC. While we will of course expedite any CMC action desired by the GA, we wld not wish this to delay initiation of the longer-term process of organizing collective security against future acts of aggression. We believe these two aspects of work shld be kept separate.

II. *Proposed Program of Work*

1. *Procedural Matters*

The Committee should at its first meeting seek to reach agreement on the most important procedural problems. The US makes the following tentative suggestions concerning organization:

(*a*) The Comite should elect a permanent Chairman. The primary consideration in selection shld be the personal competence of the officers.

(*b*) Rule 160 of GA probably provides adequate rules of procedure for Comite.[5]

(*c*) The Comite shld contemplate the creation of such working groups as are needed to deal with various phases of the problems confronting it.

(*d*) The mtgs of the Comite shld generally be private and its records classified. Press communiqués cld be issued as appropriate.

2. *Approval of appointments made by the Secretary-General to the Panel of Military Experts*

The GA resolution on "Uniting for Peace" placed upon the Collective Measures Comite the duty of approving the nominees of the SYG to the Panel of Military Advisers. As heretofore stated, the SYG shld be urged to submit a list of nominees as soon as the CMC is organized.

3. *Reports on elements of national armed forces*

An early item of business shld be a communication from the CMC to all UN Members inviting them to report to the CMC pursuant to para 9 of the Uniting for Peace resolution.

4. *Plan of Work*

The primary function of the Comite, as expressed in para 11 of the GA resolution, is to study and report to the SC and GA by 1 Sept 1951 "on methods, including those of part C of this resolution, which might be useful to maintain and strengthen internatl peace and security in accordance with the principles and purposes of the Charter, taking account of collective self-defense and regional arrangements (Arts. 51 and 52 of the Charter)". It is suggested that the Comite make preliminary studies of the chief methods with a view to the establishment by the 6th GA of suitable organization and procedures for continuing the work on a long term basis. The chief methods of

[5] A/520/Rev. 1, Rev. 2; now Rule 161 in A/520/Rev. 12.

strengthening the UN which have been suggested and which shld be given preliminary study are the following:

(*a*) Methods for stimulating creation and maintenance of elements for possible UN use within national armed forces of all Member states.

(*b*) Methods and machinery for coordination among all cooperating states on use of such elements.

(1) Interim arrangements for immediate availability.

(2) Establishment of continuing machinery for long-term coordination, including arrangements for training, organization, and equipment of such elements.

(*c*) Methods of coordinating such elements with forces organized under auspices of regional organizations.

(*d*) Formation of a UN force, individually recruited by or on behalf of the UN, and relation of such a unit to other units of armed forces to be made available to the UN.

(*e*) Provision to the UN of bases, rights of passage, and other facilities.

(*f*) Possible use of special arrangements for provision to the UN of armed forces, bases, rights of passage, and other facilities.

(*g*) Development of methods to assure the expeditious creation of an effective command to direct elements made available for UN service.

(*h*) Use of economic measures as part of UN effort to maintain or restore internatl peace.

(1) Interruption of economic relations.

(2) Interruption of rail, sea, air, postal, telegraph, radio, and other means of communication.

(3) Preclusive buying of stratgic materials.

(*i*) Use of financial measures as part of the UN effort to maintain or restore peace.

(1) Interruption of financial relations.

(*j*) Use of political measures as part of the UN effort to maintain or restore internatl peace.

(1) Severance of diplomatic relations.

(2) Use of radio broadcasting and other means of internatl communication.

(*k*) Question of continuance of CMC and creation of permanent machinery within the UN to implement the program of Uniting for Peace.

This list of studies is not intended to be exhaustive and will be supplemented by a more detailed outline of topics and doubtless by suggestions of other states. The studies cld be made by the SYG or by working groups of the CMC.

ACHESON

IO Files, Lot 71 D 440 [1]

*Memorandum of Conversation, by Mr. James N. Hyde, Adviser, United States Mission at the United Nations* [2]

CONFIDENTIAL [NEW YORK,] February 20, 1951.
US/A/AC.43/2

Subject: Collective Measures Committee—Organization and Plan of Work

Participants: (Conversations held separately.)
Mr. John Coulson,[3] United Kingdom Delegation
Mr. Francis Lacoste,[4] Mr. Pierre Ordonneau [5] and Mr. Jacques Tine,[6] French Delegation
Mr. Henry Carter,[7] Canadian Delegation
Mr. Harding Bancroft [8]—UNP
Mr. Stratton Anderson—UNP (except with Coulson)
Mr. James N. Hyde—USUN

In these initial conversations we opened up the question of the organization, plan of work and general approach of the CMC with the view to having an organization meeting on Wednesday, February 28th, and also with the view to getting agreement on an approach and a plan. We talked from the department's despatch A–17 of January 20th (control A–263) and we left with the delegations with whom we discussed this the substance in writing of points 2, 3 and 4 of this despatch which constitutes our first draft of a plan of work.

*Coulson:*—Coulson stated that he and the French had discussed this at some length, perhaps a month ago. He felt very strongly that there should be careful preparation and agreement among us three ideally before the Committee is organized and he felt quite strongly that initial preparation should be joint papers prepared and agreed by the three.

He agreed, however, that an organization meeting might be held on February 28th, provided that we had the slate agreed upon in advance and also provided that we three are agreed to move forward with the

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[1] Documentation pertaining to United States participation in the sessions of the United Nations General Assembly, 1946–1965, retired by the Bureau of International Organization Affairs.

[2] Circulated as United States Mission document US/A/AC.43/2, February 21, 1951.

[3] Deputy United Kingdom Representative at the United Nations; Alternate Representative on the Collective Measures Committee.

[4] Deputy French Representative at the United Nations; Alternate Representative on the Collective Measures Committee.

[5] Adviser, Permanent French Delegation to the United Nations.

[6] Adviser, Permanent French Delegation to the United Nations and to the Collective Measures Committee.

[7] Adviser, Permanent Canadian Delegation to the United Nations.

[8] Appointed Deputy United States Representative on the Collective Measures Committee with personal rank of Minister on February 27; ranking U.S. official concerned with the day-to-day operations of the CMC.

formulation of our views by exchanging them, preferably in writing, at another meeting before February 28th.

The key to the slate is Riddell,[9] whose Government is not anxious for him to be *rapporteur*. There is general agreement that we should have Muniz [10] as chairman and Bebler [11] as vice-chairman, although none of us has as yet approached Bebler. Coulson said that they would put no pressure on Riddell to accept this post but understood that we would speak to him once more. He admitted that there was no other competent person for the job and as we discussed organization he also admitted that having Riddell in the bureau would make it easier for the U.K. to keep Canada informed closely on the course of the work, which otherwise might be difficult if other Commonwealth members were not to be confided in to the same extent.

He raised the question of how our respective military advisers would contribute to the work and felt it important that our three military advisers should feel free to meet together to discuss the military aspects of our political plans. This, of course, was quite apart from any Military Staff Committee in connection with the work. As far as the Secretariat is concerned, Bancroft reported that we had sensed considerable interest, ability and time to prepare studies and thought the Secretariat should feel quite free to come forward with their ideas. Coulson was very cool to this thought and wanted to see in advance any Secretariat papers that might be in prospect for Committee circulation. I had reported that there was some thought of circulating at least one document before the organization meeting.

We then discussed some of the topics contained in the paper which we left with Coulson. On a panel of military experts we agreed that the Secretary General would consult us and Coulson felt that two would be sufficient, perhaps one British and one United States. Bancroft reported that we were thinking of perhaps twelve and that we even had in mind names based on geographical distribution and also on branches of service.

Reports on elements of armed forces which might be notified for United Nations use seemed to Coulson to involve a highest level decision by his Government and also by other Governments of the North Atlantic community and might call for consultation by the Prime Ministers concerned. As to item 4(*c*), the relation of coordinating such forces with those of regional organizations, Coulson felt that

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[9] R. G. Riddell, Canadian Representative on the Collective Measures Committee; died March 16, 1951.

[10] João Carlos Muniz, Permanent Brazilian Representative at the United Nations; Representative on the Collective Measures Committee.

[11] Ales Bebler, Deputy Foreign Minister of Yugoslavia; Permanent Representative at the United Nations; Representative on the Collective Measures Committee.

this should be discussed privately and not opened up at all in the Committee. Apparently this reflected the U.K. view that important operational decisions must be made in a regional organization and that they should not be brought out and debated in the UN.

He was not happy to see the concept of the UN Legion brought out again and mentioned the problem of where to fit it into national military forces and the danger of having components that are not so integrated.

The matter of provision for the UN use of bases and special areas for an effective command he recognized as complicating their difficulty. He commented that any area for the using of UK military forces would necessarily involve a treaty between the U.K. and the UN. And he raised the legal question of the power of the UN to enter into such a treaty.

Coulson had no particular comment on the economic and political topics contained in the remainder of the plan except to suggest that they had a lesser priority and were more long range in character. He was interested in the question of continuing some UN organization to carry on the machinery and program of united action for peace and thought this might involve an examination of the Interim Committee and where that fits into our present plan.

*Lacoste, Tine, Ordonneau:*—We had a detailed discussion with Lacoste, Ordonneau and Tine, going through the plan of work line by line. Tine observed, and Lacoste did not contradict, that they felt authorized to consider a plan of work without further instructions from the Quai d'Orsay and it was only at a later stage that they would feel it necessary to go back for instructions on particular points. Lacoste stated that Coulson had telephoned him about our talk and he agreed with Coulson's suggestion on the importance of concerting by meeting of the three with some degree of documentation to carry the work along. Lacoste examined the slate question carefully and was struck with the suggestion of Bebler for *rapporteur*, because he assumed that Riddell would not take it and there seemed no one else, except possibly Lopez [12] of the Philippines. I questioned the desirability of Bebler since Yugoslavia has such an immediate security problem and this is a long term project. I thought it would be difficult for Bebler not to plead his own case and recalled his insistence at the fifth session for two resolutions, one providing for machinery for naming a state an aggressor and the other for a permanent conciliation commission.[13] I thought he had been difficult to deal with

[12] Salvador P. Lopez, Alternate Representative of the Philippines on the Collective Measures Committee.

[13] For documentation on the incident under reference, see *Foreign Relations*, 1950, vol. II, pp. 371 ff.

on these. Lacoste agreed to an organization meeting on Wednesday,[14] subject to our working out the slate problem first. The French representatives made comparatively few comments on the plan of work. Lacoste thought that the panel of military experts would be sufficient if it contained three, a U.S., U.K. and French representative. Tine argued rather strongly that all the military parts of the plan should be put into a military sub-committee and Bancroft pointed out with some support from Lacoste the importance of taking a broad political view before getting down to technical military considerations which obviously must be determined by military men.

Lacoste reserved comment on the relationship of this work to NATO beyond saying that it was extremely important to his Government.

On the UN Legion his first reaction was that it should be a contingent of U.S. armed forces and inquired whether there was not legislation to this effect. He thought all the soldiers in the world who would want to join such a legion would be attracted by the prospect of U.S. army pay and matériel.

The economic and military parts of the plan made Lacoste shake his head as indicating a reexamination of all the League thinking which came to very little in affecting Italy during the Ethiopia case. He indicated great skepticism that the severance of diplomatic relations is an effective sanction to be used by an international organization.

Lacoste felt that this plan of work was largely the essential background for the work of the *ad hoc* committee on additional measures against Communist China[15] and, therefore, he is a little doubtful about our desire to keep the two committees entirely separate.

We wound up by agreeing that he would give us his further views in a few days.

*Carter:*—Riddell was absent in Ottawa but we at least paid our respects and went over in very general terms the plan of work which Carter intends to forward to his Government. He was glad to see a mention of the UN Legion idea which his Government had advocated so strongly and thought that Riddell would probably not be available as *rapporteur* unless his Government had made some decision unknown to Carter.

J. N. Hyde

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[14] February 21.

[15] Material on the Additional Measures Committee is included in documentation on United States policy with respect to the restriction of trade with and United Nations economic sanctions against Mainland China and North Korea in volume VII.

320.2–AC/2–2851 : Telegram

*The Acting Secretary of State to the United States Representative at the United Nations (Austin)*

CONFIDENTIAL WASHINGTON, February 28, 1951—7 p. m.

749. Re CMC—urtel 1203.[1] Dept concerned at apparent unwillingness of UK and Fr Dels to have CMC move forward with its work at what we regard as reasonable pace. We uncertain whether this hesitancy arises from fact that none of us able at this juncture to perceive the final, exact scope of UN collective security system which may eventuate from CMC's work or whether it is carry over, at least on UK's part, of their attitude toward work of *Ad Hoc* Comite on Additional Measures. If latter, Dept understands (though it does not agree with) reasons underlying UK attitude on CAM but obviously same reasons shld not apply to CMC as there is no connection between two committees. If former, reassure UK and Fr Dels that US fully aware of the many complex questions (such as relationship to NATO, for ex.) which must be resolved in connection with further development of any UN collective security system and that we intend, in consultation with them and others, to see that these are soberly and rationally resolved as the work advances. It is, indeed, for this very reason that Dept feels work of CMC is important and shld be begun promptly.

Re plan of work of CMC. Dept wishes consult UK and France thereon but is not willing to agree at this time that plan must be submitted as joint document by three govts if to do so wld cause further delays in getting started. Present draft plan as shown to Coulson and Lacoste last week (Airgram to NY A–17)[2] does not contain anything that is startling or capable of polit embarrassment to them. Topics proposed are only those which come naturally to mind on basis of res itself and debate in Comite I during GA.

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[1] Not printed.
[2] January 20, p. 616.

IO Files, Lot 71 D 440

*Memorandum of Conversation, by the Deputy Assistant Secretary of State for United Nations Affairs (Sandifer)*[1]

SECRET [WASHINGTON,] March 3, 1951.

US/A/AC. 43/4

Subject: Collective Measures Committee

Participants: Mr. Hume Wrong, Ambassador of Canada
Mr. George Ignatieff, Counselor, Canadian Embassy
Mr. Sandifer, UNA
Mr. Raynor,[2] BNA
Mr. Allen,[3] EUR
Mr. Bancroft, UNP
Mr. Popper,[4] UNP

The Canadian Ambassador called at his request to ascertain our views with regard to the scope of the work of the CMC and the priority we had in mind for it. His questions were based on the draft plan of work for the Committee included in Airgram A–17 to New York dated January 20. The Canadians appeared somewhat concerned that we might have in mind a wide-ranging report by the Committee this September, including suggestions not only on military measures but also economic, financial and political steps. They put forward the view that the primary task of the Committee this year should be to work out methods of coordinating United Nations elements maintained in accordance with Paragraph 8 of the Uniting for Peace Resolution and implied that it would be unfortunate if, by seeking to do too much, the Committee were diverted from this task.

The Canadians were assured that we agreed with them regarding the primary function of the CMC this year. It was pointed out that it would be appropriate for the Committee, in view of its broad terms of reference, to refer in its report to other related suggestions which should eventually be covered if a well-rounded collective security scheme was to be worked out over a period of time. With regard to these broader topics, included toward the end of the plan of work as set forth in A–17, the Committee might merely recommend procedures to be followed next year or later in reaching agreement on detailed steps.

The discussion was centered principally around the following points:

1. *United Nations Elements*

The importance of securing satisfactory results on this matter dur-

[1] Circulated as USUN document US/A/AC.43/4, March 7.

[2] G. Hayden Raynor, Director of the Office of British Commonwealth and Northern European Affairs.

[3] Ward P. Allen, Special Assistant on United Nations Affairs, Bureau of European Affairs.

[4] David H. Popper, Officer in Charge, General Assembly Affairs.

ing the year was stressed to the Canadians. Reference was made to the interest of the House Sub-committee on State Department appropriations on the need for a higher proportion of contingents from other United Nations states in the Korean operation, and to the desirability of avoiding improvisation if United Nations action should be taken in any future act of aggression.

2. *Relations with Regional Organizations*

The Canadians flagged this as one of the principal problems under the Uniting for Peace Resolution. They were informed that we recognized the difficulty of the problem but had as yet no firm ideas on how to deal with it. It was stated that one idea we had in mind was to ask the governing bodies of various regional agencies to consider the problem themselves.

3. *United Nations Legion*

The Canadians wondered whether we intended to press immediately on this point. We made the comment that, while the basic idea was attractive, the more one studied it, the more practical difficulties seemed to arise. It was clear that we were not going to get a United Nations Legion within the next year, but we did feel that thought should be given to methods of ironing out the difficulties involved.

4. *Bases, Rights of Passage and Other Facilities*

The Canadians were interested in knowing what we had in mind on this point, especially reference to possible special agreements. We indicated that some countries not in a position to make armed forces available to the United Nations might usefully make available such facilities. It was pointed out that here we might build upon the work done by the Military Staff Committee, which had dealt at some length with this problem. The idea of special agreements was one to be borne in mind for future consideration as a possible method of arranging for the use of such facilities.

5. *Panel of Military Experts*

We told the Canadians that our military people had recommended that the Panel consist of twelve members, with a balanced composition of land, sea and air authorities and similarly a balanced geographical composition. The Canadians seemed to have been thinking in terms of a smaller panel but appeared to appreciate the reasons behind our military recommendation.

6. *Secretariat Studies*

The Canadians agreed that certain factual studies of a historical or non-controversial character might well be made by the Secretariat. Mr. Bancroft noted that Katzin of the United Nations had already had a study prepared on the experience of the League with sanctions in 1935 and 1936.

7. *Privacy of Meetings*

The Canadians agreed that it would be highly desirable for the meetings to be private.

Mr. Bancroft informed the Canadians that he would make a general statement on the possible lines of work of the CMC at the meeting on March 5.[4]

DURWARD V. SANDIFER

[4] The First Meeting of the Collective Measures Committee occurred on March 5. For information on the proceedings of the CMC, see editorial note, *infra*.

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*Editorial Note*

The first meeting of the Collective Measures Committee occurred on March 5, 1951. João Carlos Muniz of Brazil was elected chairman. Several working groups were appointed to consider aspects of the Committee's work. Also at the first meeting, Harding F. Bancroft, Deputy United States Representative, presented a statement on the purpose and scope of the task before the CMC; for text of his remarks, see Department of State *Bulletin*, March 19, 1951, pages 460–462.

The records of the CMC proceedings are not published. A set exists in Lot 60 D 463, United Nations documentation for the period 1946–1955, retired by the Reference and Documents Section of the Bureau of International Organization Affairs, Department of State. For the Report of the CMC, document A/1891, see United Nations, *Official Records of the General Assembly, Sixth Session, Supplement No. 13* (hereafter cited as GA(VI), *Suppl. No. 13*).

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320.2–AC/3–951 : Telegram

*The Acting United States Representative at the United Nations (Gross) to the Secretary of State*

SECRET PRIORITY NEW YORK, March 9, 1951—11:56 a. m.

1249. Re collective measure[s] committee. Upon instructions from his government, Lacoste raised following points with me afternoon March 8 re CMC.

At time uniting for peace resolution was under discussion between US and France, we had given certain assurances to French Government upon which they relied in reaching their decision to vote for the resolution. One such general assurance, according to Lacoste, was that by agreeing to resolution France was not making a commitment in advance on subject of military measures. The French were deeply disturbed to find in US formulation of program of work suggestions re military measure which had not previously been discussed.

In addition, French had understood that initial statement of US representative before CMC would be limited in general to "introductory matériel" and general expression of hope for success of committee. However, "to great surprise" of French delegation and of French Government, initial statement went far beyond this and dealt with specifics about which French had not been informed.[1] On substance of work of committee, French Government believes priority should be accorded to economic and political measures.

With regard to military measures, French Government hoped that there would be close advance coordination of views between US, UK and France. As first step in this direction, UK delegation, with complete agreement of French, had arranged meeting to be held morning March 9, to which Generals Penette[2] and Crittenberger[3] have been invited. Finally, a major preoccupation of French Government was to prevent UN from becoming a "holy alliance". French laid great importance upon "universality principle" of UN and, although this should not be taken as indicating a diminution of realization of France concerning vital importance of solidarity and close coordination "among friends", we should nevertheless keep in mind the central function of UN. In this connection, French Government desires to stress importance it perceives in avoiding action in the UN which would encroach upon or cut across functions of NAT organization.

I reminded Lacoste that we had a specially designated deputy representative charged with responsibility for CMC operations. He replied he was aware of this and intended to discuss foregoing with our deputy representative on CMC, but he had been instructed to present foregoing views to "head of US delegation".

GROSS

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[1] For text of the statement by Harding F. Bancroft, Deputy United States Representative, at the First Meeting of the Collective Measures Committee, March 5, see Department of State *Bulletin*, March 19, 1951, pp. 460–462.

[2] Gen. de Brigade Marcel Penette, French Army Representative on the United Nations Military Staff Committee.

[3] Lt. Gen. Willis D. Crittenberger, United States Army Representative on the United Nations Military Staff Committee.

549-782—79——41

IO Files, Lot 71 D 440

*Memorandum of Conversation, by the Special Assistant on United Nations Affairs, Bureau of European Affairs (Allen)*[1]

CONFIDENTIAL [WASHINGTON,] March 14, 1951.
US/A/AC.43/9

Subject: Work of the Collective Measures Committee

Participants: Mr. John Coulson—United Kingdom Delegation
Mr. Denis Laskey[2]—United Kingdom Delegation
Ward P. Allen—EUR

1. In response to my question as to what lay behind the British cautious approach to the work of the CMC, Mr. Coulson stated that he felt the difference is not great and is primarily potential, but that the UK has two preoccupations: (1) they do not think it desirable for the CMC to seek to develop for the GA a complete collective security system parallel to that provided for in the Charter under the SC and the Military Staff Committee, and they feel that our reference to problems of bases and to special agreements indicated that we tended in that direction, and (2) neither the UK nor the US had given much study and thought to all the problems which the CMC might consider and the UK feel that until this has been done and we have jointly worked out preliminary answers to some of the problems it would be preferable not to throw them all into the CMC forum. He added that the UK Delegation had several times, from October through January, suggested consultation with us on the work of the CMC, and due to preoccupation with other matters this had not materialized. They were therefore surprised at the apparent speed with which we suddenly desired to move in the CMC in the last two or three weeks.

I indicated that as to their first point it was obviously impossible to foresee at this time the extent to which it would be desirable to develop under the GA a collective security system comparable to that envisaged under the Security Council and that we would obviously want to proceed cautiously. As to their second point, I admitted that we did not have the answers to all the problems which the CMC might consider and that we are anxious for a thorough consultation with the British and French in order to develop our joint thinking on these matters. On many of these problems we are frankly threshing around and exploring and it would be desirable to do it together. We agreed that we should seek now to work out the system of priorities in the work of the CMC and, having decided upon the various jobs on which we believe its efforts should be concentrated, we could

[1] Circulated as USUN document US/A/AC.43/9, March 16.
[2] First Secretary and Head of Chancery, Permanent United Kingdom Delegation to the United Nations.

then focus our joint attention on these. Mr. Coulson indicated that they were developing a paper which they would like to present to us in a day or two, giving their ideas on some of the problems.

2. I indicated that we were in consultation with our military officials concerning the nature of the response which the US would make to the request for the maintenance of UN units in its armed forces,[3] and that on this concrete and important first step we would want to consult with them and asked if they had been giving thought to the problem. Mr. Laskey replied that the British Joint Chiefs were thinking in terms of indicating that a brigade group plus a certain number of ships would be specified as the British response. I suggested that this, while specific, seemed small and that before the UK makes any formal response it would be useful if we could compare the intended nature of our respective responses. We hoped to be able to do that promptly.

3. As to the problem of the relationship to NATO, Mr. Coulson stated that in his view this was very simple. If aggression should occur in the NATO area the UN would pass a resolution designating SHAPE as the Unified Command and then contributions from non-NATO countries would be fitted into the military units as the latter would determine exactly, as is now done in Korea. If the aggression should occur outside the NATO area, then the NATO countries would through consultation decide the extent to which they might individually contribute forces to the action in the light of the circumstances and the necessity of defending Western Europe. I indicated that this seemed reasonable and logical but too simple and undoubtedly did not exhaust the problems of relationship which we would want to consider.

4. In a passing comment on the problem of additional measures against China, Mr. Coulson said that he thought there was no real cause for concern at the US–UK differences since he felt that if we should try at the present time to obtain AMC and GA approval for our program of diplomatic and economic sanctions, we would find difficulty in obtaining the support of the substantial majority which we desired, but that he was confident that the situation was so fluid something would happen in the near future which would break the log jam—some external circumstances, such as Peiping response to GOC efforts, or the Communists fourth phase offensive. I suggested that there might not be time to wait for possible external events to resolve the problems.

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[3] Paragraph 9 of the Uniting for Peace Resolution (GA(V), *Resolutions*, p. 11) invited member states to inform the Collective Measures Committee of action taken to make forces available for United Nations service upon call.

320.2-AC/3-1751 : Telegram

*The Secretary of State to the United States Representative at the United Nations (Austin)*[1]

CONFIDENTIAL WASHINGTON, March 17, 1951—1 p. m.

792. I. Prelimin reactions of UK and Fr to work of CMC underscores importance further advance consultations with them and with other members CMC in order seek greater meeting of minds on scope and tempo of work and nature of problems to which Comite shld give priority. Pls discuss further with UK and Fr Dels, stressing extent to which our views coincide with theirs on scope and procedures of CMC work as set forth in part III below.

Dept believes that their attitude of extreme caution may be only prelimin one and that our apparent differences can be lessened if they can be reassured that we as well as they are tackling this problem in a hard-headed and realistic fashion and that we are not proposing directly or indirectly that prelimin steps towards creation of UN collective security system are substitute for or in derogation of NAT either in terms of organization or operations. Nor is it intended to convert UN into anti-Sov alliance.

US regards Uniting for Peace Res and work of CMC thereunder as an important development in UN which can play vital part as deterrent to potential aggressors. US attitude and policy was set forth by Secy in his GA statement[2] and by Amb Dulles during course of debate.[3] Those statements are our firm policy which we hope will be carried forward through positive action in implementing Uniting for Peace Res. Statements by Brit and Fr FonMins and their spokesmen in Comite I debate appeared to be in full support of US at that time.

Our ideas for work for CMC are logical development of concept of res and minimum required in light of its wide public support. CMC failure to make substantial progress during first phase of its operations wld have serious effect not only in reducing and deflecting momentum that was created last Fall, but also wld play into Sov

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[1] Repeated for information only as an airgram to the Embassies in London and Paris.

[2] For text of Secretary Acheson's address before the General Assembly on September 20, 1950, see United Nations, *Official Records of the General Assembly, Fifth Session, Plenary Meetings*, vol. I, pp. 23–27 (hereafter cited as GA(V), *Plenary*, vol. I), or Department of State *Bulletin*, October 2, 1950, pp. 523–529.

[3] John Foster Dulles, Consultant to the Secretary of State, was a member of the United States Delegation to the Fifth Session of the General Assembly. For text of his statement on the Uniting for Peace Resolution before the First Committee on October 9, 1950, see Department of State *Bulletin*, October 23, 1950, pp. 651–655. For his remarks of October 13, 1950, see *ibid.*, October 30, 1950, pp. 687–691. Summary records of the First Committee debate appear in United Nations, *Official Records of the General Assembly, Fifth Session, First Committee* (hereafter cited as GA(V), *First Committee*).

hands who wld like nothing better than to see possibilities of CMC come to nothing.

With these factors in mind Dept assumes UK and Fr will agree we must assure that CMC, before it renders its report to GA, will make such progress as will have effect of maintaining momentum developed by Uniting for Peace Res so that Member States will regard prospects for UN collective security system as serious business to which they will give maximum support as practical step in their own national self-interest. This means at minimum that CMC must make start on its consideration of steps which can be taken practically toward coordination of national forces in support of UN action and at least survey possibilities of more complete, long-range system of coordination.

As far as NATO is concerned, efforts of UN to develop collective security system cld become useful supplement to strength that NAT members are mustering under the Treaty. In no sense wld the universal system, if it develops as we hope it will, deplete resources of NAT, or decrease forces available in NA area, but, on contrary, wld increase its collective strength by adding to it moral undertaking of other States to employ their resources in event of UN action in support of NAT defense of NA area. After all, only through use of UN can we hope get maximum assistance in that area from countries outside it.

Dept does not agree with Fr position that CMC shld give priority to consideration of measures other than military. Debate on Uniting for Peace Res made it clear that important new element that was being added to potential of UN in collective security field was possibility of making available armed forces and planning techniques for their coordination so that improvising that was necessary in Korea wld be substantially reduced in event of new aggression. For CMC now to emphasize economic or political collective measures at expense of military wld, in our view, be unfortunate deflection of course that was outlined in Uniting for Peace Res.

II. In so far as list of topics which will be prepared by Secretariat is concerned, fol are problems on which we believe CMC shld concentrate its attention between now and next GA:

1. Request to SYG to send communication to UN Members urging that they maintain UN units recommended in Para 8 of Res and requesting a report on progress that has been made to that end in accordance with Para 9. Recommendation to maintain UN units has become part of UN policy which organs and agencies of UN shld seek have implemented as far and as promptly as possible. We are now discussing with Defense, problems re US response to Para 8 and hope be able discuss this with UK and Fr shortly.

2. Reqnest to SYG to proceed with his nomination Panel of Military Experts so that it will be available for use by any Member State when called for. Our position set forth WGCMC D-8.[4]

3. Methods and machinery for coordination of action of national forces possibly by way of interim arrangements which cld be immediately applied in event an aggression occurred before UN has had time establish more definitive plans for collective security system and machinery necessary therefor, developing its stndy in light of responses to Para 9 as they are made. For example, Comite shld be able in its first report to GA to enumerate certain steps which Member States cld take in event of such aggression which wld have practical effect of reducing improvising that was necessary in Korea.

4. Question of assistance and facilities. Availability of facilities for UN action including rights of passage and minor elements such as weather stations and the like may be an important part of collective security system. CMC might study problem whether Member States should examine their national situation in respect to provision to UN of all types of facilities with a view to making them available for UN use in event of UN action to meet aggression. Kor experience was exceptional in that problem of bases and rights of passage did not arise with major significance, although cost of South Africa's contribution of an air contingent was materially increased because it was not able overfly certain areas. In event of new aggression elsewhere problem of availability of assistance and facilities of all types might be a critical factor.

5. Longer-term organization and coordination of UN elements. We believe CMC shld make start on this subject even though it is recognized that snch consideration cannot be carried through to a conclusion for some time. Such a study shld be exploratory in nature, designed primarily to raise issues in order pave way for later work on such questions as employment, degree of readiness, provision of assistance and facilities, logistics support and command. Such a study cld consider report of MSC as starting point and develop principles which cld form outline for further work.

6. UN Legion. This is another question of long-range nature but because of great popular interest in this idea, we believe it shld be studied by CMC.

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[4] Reference is to document WGCMC D-8, "The Panel of Military Experts," March 8, 1951, not printed. The interdepartmental Working Group on the Collective Measures Committee (WGCMC) met in Washington from February to September 1951, on an irregular basis, with a view to coordinating United States policy at the CMC. Harding F. Bancroft, Deputy U.S. Representative on the CMC, was Chairman of the group. Those present at meetings varied, but Bancroft, Col. A. B. Swan of the Office of the Secretary of Defense, and Capt. D. W. Gladney of the U.S. Navy were generally among the State, Army, Navy, and Air Force representatives in attendance. A set of WGCMC documentation is present in Lot 58 D 224 (FRC Acc. No. 71A5255, Item No. 64), certain files of the Office of United Nations Political and Security Affairs, 1943–1956.

7. Non-Military Measures. In these fields we believe that Comite's problem is not to consider efficacy of any particular step or group of measures, but rather to look into techniques by which national action by Member States cld be most efficiently coordinated. In other words, Comite's task is to consider techniques of coordinating national action in application of political, economic and psychological measures. We cannot define with any degree of exactness the extent to which Comite will be able to make progress in this field. It shld, however, in its report be able to describe problems arising in imposing economic and diplomatic sanctions on international level, discuss the type of action which may be taken on an international basis as distinguished from national, and to extent possible, propose techniques of coordination which cld be used to make such measures most effective.

In respect to relationships and methods of coordinating UN elements with forces under regional organizations and collective security arrangements, Dept does not believe that we shld insist that this be studied by CMC as separate topic. It seems clear, however, that question of relationships will arise in many different contexts and will have to be studied closely by NAT Govts and considered in one way or another by CMC.

Finally, CMC will have to make recommendations to GA in its report on question of machinery which UN shld establish to continue work started by CMC in its first phase. Although this question probably need not be considered as separate item at outset, it shld nevertheless be in background throughout so that CMC can make intelligent recommendations to GA in its report.

III. The foregoing points are matters which, in our view, shld be studied by Comite and touched upon in its report to GA. Paras 1 and 2 above can be completed promptly. As to other matters it is not possible to foresee extent to which progress can be made, but we believe that papers shld be prepared on each so that Comite will have had opportunity to consider them and to report to GA on results, however tentative, of its deliberations.

We do not contemplate that CMC wld itself begin discussion above topics immediately (except perhaps Nos. 1 and 2), but if Comite cld agree that these are topics which shld be considered in course next few months, we suggest most expeditious way to proceed wld be for each topic to be assigned as appropriate either to small subcomite, to individual member as *rapporteur*, or to Secretariat for purpose of preparing preliminary papers for consideration. Such procedure would get the Comite work started and wld provide ample opportunity for full exchange of views on substance of problems with UK and France which we all desire in advance of consideration by CMC or crystallization of respective opinion.

We wld welcome UK and Fr ideas as to manner in which these preliminary papers shld be prepared and as to who shld be responsible for them. We believe it important to have responsibility for papers assigned promptly so that they can be worked on simultaneously. This can be done at next meeting or one thereafter at which CMC wld simply pick out topics for which priority wld be given and assign responsibility for preparation of papers.

We are continuing to develop our own thinking on these points and have asked our military officials to begin preparation of papers. As our ideas develop we will send you views for discussion with UK and Fr. Meantime, pls seek stimulate UK and Fr to follow similar procedure in order that we may begin soonest exchange concrete ideas.

ACHESON

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320.2–AB/3–951

*The Secretary of State to the Secretary of Defense (Marshall)*

SECRET

WASHINGTON, March 19, 1951.

MY DEAR MR. SECRETARY: At the present time the Department of State is preparing its position with respect to the various phases of implementation of the General Assembly resolution of November 3, 1950 (United Nations document A/1481) known as the Uniting for Peace Resolution.[1] As you know, the Collective Measures Committee created by paragraph 11 of this resolution has already held its initial meeting.

Paragraph 8 of the resolution "recommends to the States Members of the United Nations that each Member maintain within its national armed forces elements so trained, organized and equipped that they could promptly be made available, in accordance with its constitutional processes, for service as a United Nations unit or units, upon recommendation by the Security Council or General Assembly, without prejudice to the use of such elements in exercise of the right of individual or collective self-defense recognized in Article 51 of the Charter." Paragraph 9 of the resolution "invites the Members of the United Nations to inform the Collective Measures Committee provided for in paragraph 11 as soon as possible of the measures taken in implementation of the preceding paragraph." The language of paragraph 9 clearly contemplates that the United States as well as other United Nations Members should submit a preliminary response to the General Assembly recommendation contained in the above quoted paragraphs as expeditiously as possible.

Paragraph 8 of the resolution goes no farther than to recommend that each Member maintain within its national armed forces elements

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[1] GA(V), *Resolutions*, pp. 10–12.

trained, organized and equipped so that they could be made available promptly as a United Nations unit or units. It does not require any State to create a particular component for the specific purpose of providing a contingent for the United Nations nor does it require a State to increase its military strength for this purpose. This is recognized by the Joint Chiefs of Staff in its memorandum dated December 14, 1950 (SM-3050-50), a copy of which was transmitted to the Secretary of State by letter dated December 21, 1950.[2] This memorandum points out "The entire military strength of the United States is in fact maintained to further the principles enunciated in the Charter of the United Nations, subject, of course, to the limitations of Article 51. A general statement to this effect may suffice for purposes of the present resolution. Should the Department of State indicate at some future time that more detailed information is required, the Joint Chiefs of Staff will consider recommending the availability of forces but will not in any event indicate specific elements comprising such forces."

The Department of State attaches great importance to the statement of the United States in response to paragraphs 8 and 9 of the resolution since its statement will probably set a pattern for the declarations of other States. The long-range purpose of the United States in connection with the implementation of this resolution is, of course, to strengthen on a world-wide basis the forces resisting aggression and to increase the determination of the United Nations Members to resist aggression through participation in what may become an effective collective security effort. With this in mind, we believe that the United States declaration should seek to set up a pattern of responses among other countries which will give rise in such countries to a heightened sense of participation in a world-wide effort against aggression and may lead to tangible steps in the direction of strengthening collective security.

We have accordingly prepared a proposed United States statement to accomplish this objective. In the preparation of this statement, we have taken into consideration the memorandum of the Joint Chiefs of Staff referred to above, and we believe that the statement fully conforms to the principles set forth therein.

We fully agree with the memorandum of the Joint Chiefs of Staff that a number of considerations make it unwise for the United States to designate the specific elements comprising any forces which it could make available. It should be reiterated that the response of the United States to paragraphs 8 and 9 of the resolution which we are proposing will not constitute a United States commitment to furnish any units to the United Nations. The extent of the United States commitment

[2] Not printed.

is to train, organize and equip elements so that they could promptly be made available.

Since the United States response should be submitted to the United Nations as soon as possible, we suggest that the matter should be considered on an urgent basis in the Department of Defense.

Sincerely yours, DEAN ACHESON

[Enclosure]

PROPOSED COMMUNICATION TO THE UNITED NATIONS PURSUANT TO PARAGRAPHS 8 AND 9 OF THE UNITING FOR PEACE RESOLUTION [3]

1. At the present time, elements of the national armed forces of the United States are serving under the Unified Command in Korea pursuant to the recommendations of the Security Council and the General Assembly. A general description of these elements as now constituted follows:

[To be supplied by Department of Defense] [4]

The United States Government regards the maintenance of these forces as in fulfillment of the purposes of the recommendations of the General Assembly in the Uniting for Peace Resolution. The extent to which these or comparable elements will continue to be maintained by the United States so that they could be made available for United Nations service after termination of the Korean hostilities will depend upon further consideration by the United States. At that time, in furtherance of the Uniting for Peace Resolution, the United States will make a further communication to the United Nations.

2. The United States is maintaining elements of its national armed forces in Europe, shortly to include six divisions of ground troops, in furtherance of the North Atlantic Treaty and as a part of the efforts of the parties to the Treaty for collective defense and for the preservation of peace and security. This Treaty by its terms comes within the framework of the Charter of the United Nations. The United States con-

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[3] In a letter to the Secretary of State of April 12, not printed, George C. Marshall, Secretary of Defense, transmitted the recommendation of the Joint Chiefs of Staff regarding the wording of the proposed communication. The JCS provided a definition of the ground, naval, and air forces serving in Korea, and suggested certain modifications in the present draft. (320.2 AB/4–1251) The two Departments reconciled remaining differences in a second exchange of letters: Acheson to Marshall, April 18, and Marshall to Acheson, May 10, neither printed (320.2 AB/4–1251).

A note for the Executive Secretariat of the Department of State by Lucius D. Battle, Special Assistant to the Secretary, May 10, reads as follows: "The Secretary told me on his return from the White House today that he talked to the President about the proposed United States reply to the 'Uniting for Peace Resolution.' He said that the President had approved the reply, as drafted." (Secretary's Memoranda, Lot 53 D 444) For the text of the U.S. communication transmitted to the Secretary-General of the United Nations on June 8, see p. 644.

[4] Brackets in the source text.

siders that these forces could be made available for service as United Nations units in appropriate circumstances in the event of the United Nations taking action to restore and maintain the security of the North Atlantic area.

3. Furthermore, the entire military strength of the United States is in fact maintained to further the purposes and principles of the Charter of the United Nations.

4. The United States will continue to keep this matter under constant review in the light of changing circumstances and in furtherance of the policy of the United Nations to build up an effective collective security system.

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320.2–AC/3–2951

*The Assistant Secretary of State for United Nations Affairs (Hickerson) to Mr. Frank C. Nash, Special Assistant to the Secretary of Defense (Marshall)*

CONFIDENTIAL [WASHINGTON,] March 29, 1951.

Re: Work of the CMC

DEAR FRANK: In the Collective Measures Committee we are now approaching the stage where it is hoped that the Committee can agree on a plan of work and proceed to delegate to its individual members, the United Nations Secretariat, and to subcommittees the responsibility for the preparation of papers which can form the basis of Committee consideration.

Because of the nature of the Committee's task the Departments of Defense and State will have to work in close collaboration so that the United States point of view can be most effectively put forward. It might be well therefore for me to outline our views on the purpose and scope and objectives of the work of the Collective Measure Committee during this first phase of its operations prior to the report that it is required to render under the Resolution by September 1, 1951.

In the first place, we regard the development and organization of collective measures which could be taken by Member States in furtherance of United Nations action as a project of real importance to our national defense. In our view it is in effect one component part of the total United States effort to prevent war, or if it cannot be prevented, to win it. In this sense it is a component part standing in the same category as and differing only in degree from the other components to supplement our national strength, such as the North Atlantic Treaty, the Military Assistance Program,[1] the regional defense system in the

[1] For documentation on the Military Assistance Program, see pp. 266 ff.

Western Hemisphere,[2] and the collective defense arrangement now under consideration for the Pacific Area.[3]

The development of effective collective measures under the United Nations is important not only because of its deterrent effect on a potential aggressor, but also because of the role which we assume the United States will want the United Nations to play in any future action against aggression to which the United States decides in its national interest to commit its forces. It is our assumption based on various decisions of the National Security Council that in such case the United States will wish to obtain the support of the world community by appropriate United Nations action. As in Korea, but to a greater extent in any future cases, we would then be acting with the moral support of the large majority of the nations of the world and with the useful material support of such nations, including those outside the immediate area of conflict. Thus the Members of the United Nations should be able to provide an increasingly important increment to the effort to deter or to suppress aggression, an increment which would not be forthcoming if we relied solely on our own strength and that of our partners in regional and self-defense arrangements. The extent and value of that increment will depend upon the ability of the United Nations to make progress in the organization and planning for the coordination of the participation of other Member States.

Accordingly, it is to the real interest of the United States to pursue our policy of strengthening the principle of collective security, of working in and through the United Nations and developing its machinery against aggression.

The work of the Collective Measures Committee therefore and the progress that it can make in the task before it has definite possibilities for our national policy in the present state of world affairs. At the same time without minimizing the long-range possibilities or limiting the horizons, it is recognized that we must proceed prudently and gradually and in a way that is consistent with our other fundamental policies and, as we stated in the attached telegram,[4] we must be hard-headed and realistic in our approach to the problem. For example, although neither the USSR nor its Satellites is a member of the Collective Measures Committee, its presence in the United Nations and specifically its participation in the General Assembly to which the Collective Measures Committee must report necessarily forecloses any effort to utilize the Collective Measures Committee as an instrument for any sort of strategic planning. Moreover, as the telegram points out, the steps that we take must be complementary to and in further-

[2] For documentation on defense of the Western Hemisphere, see vol. II, pp. 985 ff.

[3] For documentation on this subject, see vol. VI, Part 1, pp. 132 ff.

[4] Telegram 792 to New York, March 17, p. 632.

ance of effective progress in our efforts in the North Atlantic Treaty Organization, in the building up of effective hemispheric defense, and in the soundest implementation of the Military Assistance Program.

We are aware that in terms of concrete achievement the Committee's progress before its first report on September 1, 1951 will not be extensive. It can, however, make practical gains in obtaining responses from Member nations, in planning arrangements for interim coordination, and in evaluating the problems which the United Nations must meet in order to realize its long-range potential in security matters. Such progress will, it is hoped, make all nations realize that the development of a collective system under the United Nations offers hope for future strength which is susceptible of practical realization.

In terms of the immediate tasks of the Collective Measures Committee the Department of State transmitted on March 17, 1951 to the United States Mission to the United Nations telegram #792, which outlined the problems on which we believe the Collective Measures Committee should concentrate in the first phase of its work. Although I understand you saw this telegram prior to its transmission, I am attaching a copy for your ready reference.

In so far as the problems enumerated in the telegram are concerned, we believe that paragraphs numbered 1 and 2 present no substantial difficulties.

With respect to items 3, 4 and 5, however, it seems clear that these subjects require substantial work particularly by the Department of Defense before our representative on the Collective Measures Committee will be able to express this Government's views. Indeed, because the matters are primarily of a military nature, we cannot be sure that the problems themselves have been precisely formulated or adequately defined in a way that makes them most meaningful. It would be most helpful therefore if you and your staff could examine these general questions both with a view to articulating the problems in the most precise form and to begin the studies in the Department of Defense as promptly as possible.

We cannot, of course, be sure that the Committee in formulating its plan of work will agree that these problems are the ones to which priority of consideration should be given, but we think it is likely that they will be studied by the Committee in one form or another and it would seem prudent for the United States to be fully prepared.

In respect to item #6—the concept of a United Nations legion—it is our view that this also should be studied in the Committee. Such a study would bring out the practical as well as the political merits and disadvantages of the subject on which so much public attention has been centered in recent months. However, because of its complexities, it need not be accorded the same priority in terms of preliminary studies by this Government as the other questions.

The Department of State is continuing its studies of the other subjects listed in Part II of the attached telegram and we hope that as these studies progress we will be able to obtain the views of the Department of Defense thereon. As to all these matters the views of our two Departments can be coordinated through the Working Group on the Collective Measures Committee which has already been established and on which you are the principal representative of the Department of Defense.

I would be very glad to have a further exchange of views with you on the subject matter of this letter at your early convenience.

Sincerely yours, JOHN D. HICKERSON

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320/5-951 : Telegram

*The Secretary of State to the United States Representatitve at the United Nations (Austin)*[1]

SECRET WASHINGTON, May 9, 1951—8 p. m.

914. A. There is transmitted in immediately fol tel text of response US proposes to submit to Para 8 of GA Uniting for Peace Res,[2] which recommends that "each Member maintain within its national armed forces elements so trained, organized and equipped that they cld promptly be made available, in accordance with its constitutional processes, for service as UN unit or units, upon recommendation by SC or GA, without prejudice to use such elements in exercise right individual or collective self-defense recognized Art 51."

B. Response has been fully cleared within State and Defense. Dept plans however before consultations with other Govts to consult with appropriate congressional leaders. Accordingly, response shld not be discussed with reps of other Govts until such time as Dept has informed you that congressional consultations are completed.

C. When authorized by Dept pls discuss and in your discretion leave memo with UK and Fr Dels making fol points:

(1) In our view development general collective security program envisaged in Uniting for Peace Res particularly important present time as best means strengthening UN as agency for collective action to maintain and restore peace. While collective action under UN, including military aspects as exemplified by Para 8, constitutes element of total program to strengthen UN which needs great emphasis now, UK and France shld be reassured this does not indicate intention on our part to eclipse or disparage equally important aspects of UN in

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[1] Repeated to 52 posts and for information to London as 5134 for Spofford and to Paris as 5968 for MacArthur.

[2] Telegram 915 to New York, May 9, is not printed. The text transmitted in telegram 915 consisted of the numbered paragraphs of the letter transmitted to Secretary-General Trygve Lie on June 8. For text of that communication, see *infra*.

field of pacific settlement. Present emphasis made necessary because Kor experience and because, principally through Sov intransigence, development of security machinery as originally envisaged in Charter has been delayed five years.

(2) In view above and lapse time since passage Res last Nov, important Members respond promptly to recent request by CMC that they report steps taken carry out Para 8. While impractical to seek obtain identical responses or negotiate out form of responses, because of individual problems, general harmony and consistency among responses UK, France and US and other friendly Govts desirable since character these responses will have important effect upon nature and substance of development of entire collective security program under Uniting for Peace Res.

(3) We believe militarily powerful UN nations shld show by their responses that substantial elements their military strength are behind UN and that they regard seriously collective security functioning of UN. In case of NAT countries particularly, it is important that their responses indicate that in situation where NATO action is authorized or endorsed by UN, as we assume it wld be in event of attack in NAT area, forces maintained in Eur under NAT will also be operating on behalf of UN. For this purpose responses shld in our view do more than refer to a general relationship between UN Charter and NAT. They shld to greatest extent possible establish link between NATO action and UN action in appropriate circumstances without in any way casting doubt upon autonomy of NATO to act independently regardless of whether UN has acted or will act, and without implying definite obligation use integrated NATO forces in support UN action.

Responses by militarily powerful members may of course also usefully indicate that in addition particular types of units (e.g. a number of divisions) are specifically maintained for possible UN use. US is hopeful that maximum number of members will respond in this way in order facilitate process of collation and make CMC plans for coordinated use on more realistic base. US is not itself indicating any additional particular units because of large quantities US forces now in Korea in UN service which are referred to in US response.

(4) Proposed US response designed accomplish above purposes without interfering with planning and implementing programs under NATO or other commitments.

D. After obtaining views UK and Fr, we plan raise matter with other NATO countries which are UN Members, perhaps through Deputies, in order seek general understanding and consistency among responses, particularly as respects references to NATO.

E. As soon as congressional consultations are completed you shld also inform all friendly non-NATO UN Members of general nature of our proposed reply indicating that that part of our reply relating to NAT obligations presents special problems which we plan to talk over with NATO countries. You shld, accordingly, not show non-NATO countries the actual text of our proposed reply until after consultations outlined in C and D above are completed.

F. When consulting LA Dels fol points shld be made: Attention shld be called to special AmRep interest in this matter stemming from IAM approval Res emphasizing concepts Uniting for Peace Res as related both to defense of Continent and support UN collective security efforts.[3] You shld also make it clear that, while we understand thoroughly that that Govt's response will depend upon its own estimate of its capabilities and other circumstances which will distinguish it from that of US, this Govt believes that replies of even a tentative nature from as many govts as possible will have constructive effect and will demonstrate that serious consideration being given to means whereby ability of UN to develop system of effective collective security can be strengthened.

This tel being rptd via air to all friendly UN Members.

ACHESON

[3] For documentation on the Fourth Meeting of Consultation of the Foreign Ministers of the American Republics, Washington,, March 26–April 7, 1951, see vol. II, pp. 925 ff.

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320.2 AB/8–2751

*Press Release of the United States Mission to the United Nations, for Release at 6 p. m., E.D.T., Friday, June 8, 1951*

Press Release No. 1214 [NEW YORK,] June 8, 1951.

The following is the text of a letter transmitted to Secretary General Trygve Lie by Ambassador Ernest A. Gross, Acting United States Representative to the United Nations, on the designation of United States Armed Forces in accordance with the Uniting for Peace Resolution:

"I have the honor to refer to paragraph 9 of Resolution 377(V), adopted by the General Assembly on 3 November 1950, and in accordance therewith to request you to advise the Collective Measures Committee of the measures taken by my Government in implementation of paragraph 8 of that Resolution.

1. At the present time, elements of the National Armed Forces of the United States are serving under the Unified Command in Korea pursuant to the recommendations of the Security Council and the General Assembly. A general description of these elements as now constituted follows:

Ground Forces: Three Army Corps and one Marine Division, with supporting elements.

Naval Forces: A fast Carrier Task Group with a blockade and escort force, an amphibious force, reconnaissance and anti-submarine warfare units, and supporting ships.

Air Forces: One Tactical Air Force, one Bombardment Command, and one Combat Cargo Command, all with supporting elements.

The United States Government regards the maintenance of these forces as fulfillment at this time of the purposes of the recommendations of the General Assembly in the Uniting for Peace Resolution. After termination of hostilities in Korea and after the United States Armed Forces now opposing aggression in Korea have been withdrawn, the extent to which the United States will maintain armed forces which could be made available for United Nations service will be reviewed.

2. The United States is maintaining elements of its National Armed Forces in Europe, shortly to include the equivalent of six Army Divisions, and Naval and Air Force elements, in furtherance of the North Atlantic Treaty and as a part of the efforts of the parties to the Treaty for Collective Defense and for the preservation of Peace and Security. The Treaty by its terms comes within the framework of the Charter of the United Nations, and the United States Forces maintained in furtherance of the Treaty could, in appropriate circumstances, pursuant to the Treaty and the Charter and in accordance with due constitutional process, participate in collective military measures to maintain or restore Peace and Security in the North Atlantic Area in support of United Nations action.

3. The United States will continue to keep this matter under constant review in the light of changing circumstances and in furtherance of the policy of the United Nations to build up an effective collective security system.

Accept [etc.]"

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320.2 AC/6-1851 : Telegram

*The Acting United States Representative at the United Nations (Gross) to the Secretary of State*

SECRET New York, June 18, 1951—7 : 10 p. m.

1664. Re CMC. Lacoste and Tine (France) and Laskey (UK) met with us in our office this afternoon to discuss military aspects of CMC work. Lacoste said Foreign Office is anxious about appointment of military subcomite, fearing it would drag CMC way beyond desirable scope of its efforts. They felt NATO and similar bodies should decide military questions and opposed idea of creating in peace time a UN body charged with dealing with an as yet uncommitted act of aggression. They feel subcomite for military study may slide down into permanent military planning body.

Laskey said London had given him no specific reaction on our coordination paper (WGCMC D-16*a*)[1] but general reaction was similar to French. Foreign Office does not wish turn UN into military organization. They share French views bodies like NATO should be used in acts of aggression, with UN giving general moral support and what additional material support members can muster. They feel mili-

[1] Document WGCMC D-16*a*, "Initial Steps for United Nations Coordination of Collective Measures Involving Use of Armed Forces," June 4, 1951, is not printed.

tary aspects of uniting for peace res are and should remain limited to meeting technical requirements of units made available for UN service. They oppose peace time UN army, UN command, or secretariat military staff. They think US, UK and France should agree on aims of any military study before asking CMC to undertake it. Thus, they agree with recommendation in our paper that one country or group of countries should be appointed as unified command but fear discussion in CMC might lead to pressure for giving strategic direction to some UN body like CMC itself. They fear some delegates might say if we are to have UN operations we should have UN control. This is the last thing British want.

We said it would be disappointment to world if CMC reported with no mention of military aspects. Korean experience, after all, was immediate basis for uniting for peace res. Our aim was to strengthen peace and obviously some military coordination would be necessary to achieve this objective. We agreed three countries should move forward together on common sense basis, building on Korean experience wherever possible. We suggested fears of Foreign Offices might be diminished if we proceeded to detailed discussion of paper in order to see what was difficult or dangerous and rectified it.

On specific discussion of paper, Laskey and Lacoste emphasized they had no clear governmental positions but were merely asking questions for purposes of clarification. Both questioned section *b*, last introductory para, on collective measures "where UN might act prior to an actual armed attack". Laskey said they did not visualize such situation arising but rather foresaw possibility of attack being met by one state, with UN then moving to support its act. He said chief difficulty in carrying out res was to maintain balance between in fact strengthening anti-Communist forces while at same time not appearing to turn UN into anti-Communist alliance. Lacoste spoke similarly. We discussed hypothetical situation in which second possibility might be useful and agreed to redraft para in order to make meaning more clear.

Laskey also questioned recommendation (*j*) on questionnaire. He thought this should be studied carefully since, again, it might lead to too much peace time military planning. We explained questionnaire would only be sent out after aggression had occurred.

Laskey and Tine were both concerned about possible creation of secretariat military staff, Tine raising question particularly on recommendation (*e*). We explained this would be "staff" in terms of "personnel" not "étât major". Tine also inquired about CMC dealing with minimum strength of units and logistics arrangements. He thought these were too technical. We explained they were mentioned in connection with Korean procedures simply to point out range of difficulties involved.

Lacoste and Laskey agreed to approach their Foreign Offices again with explanations we had made, to see if they would agree to appointment of military subcomite. We agreed tentatively to proceed in two weeks if Foreign Offices concurred. Tentative schedule would call for full CMC meeting to consider report of working group on panel of military experts, para 8 replies on earmarking forces, general plan for future work of CMC, and appointment of subcomite on military coordination. Neither Lacoste nor Laskey had thought about composition of military subcomite. On personal basis, we advanced suggestion of choosing two states from each present subcomite: France and Turkey, UK and Yugo, US and Philippines; plus Brazil as chairman. They said they would consider this.

GROSS

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320/6–2251: Circular telegram

*The Secretary of State to Certain Diplomatic and Consular Offices* [1]

CONFIDENTIAL WASHINGTON, June 22, 1951—6 p. m.

831. Six UN Members have submitted responses to Para 8 of GA Uniting for Peace Res (See Deptel 914 to USUN, May 9, rptd to you via airgram).

UK, France, Canada and US's responses [2] fol same general pattern, referring to present use forces Korea pursuant to UN res, efforts to build defense in NATO Area in support Principles and Purposes of Charter, and in some cases referring to maintenance forces other parts of world in manner upholding UN Charter. (Copies UK, Fr, Can replies being sent you by air FYI.) India's response declared Indian forces are maintained solely for internal defense and that India proposes take no steps implementing Uniting for Peace Res. Pakistan stated that so long as Kashmir impasse [3] continues, it cannot specify elements within its armed forces for service as UN units.

Dept believes important discuss further with other UN Members responses they may make to Para 8 of Res. Pls raise question of responses with FonOff. In addition to stressing views outlined Deptel 914, you may wish mention fol factors:

(*a*) UK, Fr, Can, and US responses show fundamental consistency of attitude in support objectives of Uniting for Peace Res which

[1] Sent to Oslo, Copenhagen, The Hague, Luxembourg, and Brussels and repeated for information to London for Spofford, Paris for MacArthur, and USUN. During late June and July, similar communications were sent to United States posts in many nations outside of the Soviet bloc.

[2] For the United States response, June 8, see p. 644. The other communications under reference may be found in United Nations document A/1822, June 25, 1951, comprising the texts of responses received, not printed (IO Files, Lot 60 D 463, A/1822). For a tabular summary of responses received by September 30, 1951, see the Report of the Collective Measures Committee, GA(VI), *Suppl. No. 13*, Annex II.

[3] For documentation on the dispute between India and Pakistan over Kashmir, see vol. VI, Part 2, pp. 1699 ff.

we hope will be embodied in other responses, particularly from NATO's UN Members. UK, Fr, and US responses refer to availability of their NATO forces to UN for action to maintain or restore peace in NATO Area. Dept realizes that for security reasons NATO's Eur members may not desire to enumerate their NATO forces. However, Dept believes general formulation of availability NATO troops in support of UN action is desirable. As noted Deptel 914, such statement does not cast doubt upon autonomy of NATO to act independently regardless of whether UN has acted or will act and does not imply definite obligation to use integrated forces in support of UN action.

(*b*) Wld be helpful if responses from NAT members which have not yet replied will also refer to respective govt's contribution UN Kor action as being in furtherance of Uniting for Peace objectives of collective security through UN.

(*c*) Even if particular members may be unable refer to specific units or types of units for UN action, it is important that general tone of response to Para 8 be affirmative in supporting common security efforts. Last clause of final para Can response provides good example.[4]

ACHESON

[4] The final paragraph of the Canadian response reads as follows: "While, in view of its commitments in Korea and its obligations to the North Atlantic Treaty Organization, the Canadian Government does not at present contemplate the recruitment and organization of further units of its armed forces specifically for service with the United Nations, the Secretary-General may be assured that Canada will continue, to the extent that its military resources and its existing defence obligations permit, to co-operate with other Member States of the United Nations in collective action against breaches of the peace and acts of aggression." (IO Files, Lot 60 D 463, A/1822)

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IO Files, Lot 71 D 440

*Memorandum of Conversation, by the Deputy United States Representative on the Collective Measures Committee (Bancroft)*

CONFIDENTIAL [NEW YORK,] August 8, 1951.

US/A/AC.43/62

Subject: Collective Measures Committee:
1) Facilities, Rights and Related Assistance for United Nations Armed Forces.
2) Continuance of CMC work.

Participants: Mr. John E. Coulson, Mr. Denis S. Laskey — United Kingdom Delegation; Mr. Harding F. Bancroft, Mr. Charles Bolte — U.S. Mission to United Nations

Coulson reported that they had now received the views of their Foreign Office on the United States paper on Facilities, Rights and Related Assistance for United Nations Armed Forces (WGCMC D-18*c*)[1] which we had given to them for comment two weeks ago.

[1] Document WGCMC D-18*c*, June 19, 1951, is not printed.

Coulson said that the Foreign Office supported the preliminary view that they had expressed on July 25 (reported in US/A/AC.43/56).[2]

In the first place, he said the study of the subject of bases would be regarded by the neutral states as having a provocative effect on the Soviet Union which could claim that UN efforts in this field, taken on the initiative of the United States, represented a further effort at Russian encirclement. This would provide a propaganda weapon to the Soviet who would maintain that the UN was becoming an anti-Soviet agency. This propaganda would have the effect on some states of making them shy away from the West and reduce their participation in the UN.

The questions of bases and rights of passage were touchy because of the issue of sovereignty involved. If these matters are brought up it would have the effect of frightening nations off from full participation in the Uniting for Peace program rather than of increasing their support for it.

Third, the consideration of bases in the Collective Measures Committee is of little utility unless it is combined with operational planning, in which we are all agreed the United Nations should not engage. At the same time, any consideration of the provision of bases would be a step toward strategic planning by the United Nations.

For these reasons they were instructed to urge us not to introduce the paper.

We made the argument that the Uniting for Peace resolution already recommended to states that units of their national forces be maintained for possible UN use; that it was a natural, logical and desirable corollary for the Collective Measures Committee to consider other types of assistance and facilities which member states might be willing to contribute to the UN in support of collective military action; obviously the effectiveness of armed forces depended not only on the existence of the forces themselves but also on supporting assistance and facilities; and many states could supply assistance whereas they could not contribute forces.

We pointed out further that the philosophy of the Uniting for Peace resolution was essentially as stated in its preamble, to carry forward the responsibility of the United Nations to maintain international peace and security pending the time when the Security Council was able to carry out its own responsibilities and particularly to conclude agreements under Article 43. Article 43 of the Charter provided that members should undertake to make available to the United Nations, in accordance with special agreements, not only armed forces but also assistance and facilities, including rights of passage. The Uniting for Peace resolution called on member states not only to maintain units of forces but to survey their resources to see what other

[2] Not printed.

assistance they could give. Therefore it seemed to us desirable for the Collective Measures Committee to pick up the other half of Article 43 and consider to what extent the United Nations could be better prepared for collective action in respect to the other types of assistance and facilities which member states would be in a position to contribute. In other words, consideration of the problem of assistance and facilities by the Collective Measures Committee would round out the underlying philosophy of the Uniting for Peace resolution so that the progress made by the Committee would seek to approach the state of affairs that the framers of the Charter contemplated under Article 43.

We pointed out further that we were in full agreement with the British that we did not want to do anything which would provoke the Russians or which would lead neutral states to believe that we were seeking to make the United Nations into an anti-Soviet coalition. We thought that this could be taken care of by proper language and emphasis in the CMC report.

On the point that the British made that the further consideration of the assistance program would be of doubtful practical utility, we pointed out that the whole program under the Uniting for Peace resolution was a gradual program. We were not trying to make the United Nations into a fully equipped collective security organization overnight, but rather to work in developing stages toward progress to that end. If we could increase the readiness of states both psychologically and practically to provide the United Nations with assistance and facilities, it would be the same sort of advance that we were seeking by the recommendation for the maintenance of forces under Paragraph 8 of the resolution.

Finally we said that we thought that the presentation of the problem of assistance and facilities in the report could be done in such a way as to remove the criticism that the whole effort was directed only against possible Communist aggression. We believed that the report could point out that any progress that was being made by the Collective Measures Committee would be in the direction of the aims and objectives of the Charter and that when the time came that the Security Council was able to fulfill its responsibilities and the Military Staff Committee was able to function effectively, the progress that had been made in this direction could be picked up by the Security Council and the Military Staff Committee and converted to the exact scheme of the Charter. In other words, it could be pointed out that the increased readiness of member states to contribute to United Nations action, both by way of armed forces and by way of the necessary supporting assistance and facilities to those armed forces, would make it easier at a later stage for Article 43 agreements to be concluded between them and the Security Council if that becomes feas-

ible. We recalled that the Assembly had unanimously adopted Resolution B of the Uniting for Peace series which recommended to the Security Council that it devise measures for the earliest application of Articles 43, 45, 46 and 47 of the Charter, and that the Collective Measures Committee should make reference to that resolution in its report in order to make clear that what it was doing was in aid of the Charter provisions rather than in any way inconsistent with them.

Coulson said that he was not sure but what there was some basic difference in philosophy between our two positions. The British have been willing to go along with the Uniting for Peace resolution because they saw some utility in getting member states to a greater degree of readiness in respect to their armed forces. They were not sure, however, that they were willing to carry that concept much further, especially when they saw little practical advantage which outweighed the political disadvantage of extending the United for Peace concept to include bases as well as armed forces.

We asked Coulson if the greatest stumbling point in their mind was the fact that bases was included in our paper and if they would see any disadvantage to the extension of the concept embracing merely the other sorts of assistance which member states can contribute to a United Nations action. Laskey replied by saying that if the paper specifically excluded bases and rights of passage they would have less difficulty with it. After some questioning, he said he put both bases and rights of passage in the same category because they both involved the question of sovereignty and national territory. We pointed out that it seemed to us that some of their arguments against the consideration of bases would not apply to rights of passage and in fact we did not think that most states would find much difficulty in expressing a willingness to make available to the United Nations, when it decided to use force as part of collective action, transit rights through their territory in accordance with due constitutional processes.

We then told them frankly that the U.S. paper was being considered on its merits in Washington and the questions which they had raised were being given thorough consideration. Subject to that consideration, we said that we believed it would be desirable to have the problem put before the Collective Measures Committee for consideration to see if we could not work up something that would be satisfactory to all the members of the Committee. Coulson at that point reiterated that it was their view that the paper should not be considered by the Committee. We then asked them if they thought it was possible to modify the paper in such a way that they could agree to its consideration in the Collective Measures Committee. We said we thought it might be possible to work on the paper so that it would deal generally with the possibility of members contributing assistance to the United Nations without unnecessary concentration or emphasis on the prob-

lem of bases. After some consideration of this possible approach, Coulson said that he thought something might be done in this direction.

We then discussed the question of the continuance of the Collective Measures Committee. Laskey said it was their view that some committee of the General Assembly should continue the work of the Collective Measures Committee. At a later stage, he thought, the continuing committee would not have any more constructive work to do, but would simply be in existence to keep in touch with developments in the collective measures field. He said that for the continued "formative" work, however, for the next year it was their view that the CMC, with its present composition, should be continued. He said he thought that the composition of the Committee was extremely good and we could not get a better committee if we attempted to change it. He saw some embarrassment in having the CMC recommend its own continuance, but he hoped it would be possible for the Committee in its report to recommend that it carry forward its work for one more year.

We said that we were in general agreement with that view and that we did not see any real difficulty in having the CMC recommend its own continuance, that this had been done by other UN bodies. We said, however, that if this became embarrassing, the CMC could simply recommend that the General Assembly establish some appropriate body to continue the work of the CMC and that during General Assembly consideration of the CMC report, it could be agreed upon in Paris that the composition of the CMC should remain the same.

H. F. Bancroft

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IO Files, Lot 71 D 440

*Memorandum of Conversation, by the Deputy United States Representative on the Collective Measures Committee (Bancroft)*

CONFIDENTIAL
US/A/AC.43/63

[New York,] August 8, 1951.

Subject: Collective Measures Committee: Facilities, Rights and Related Assistance for United Nations Armed Forces.

Participants: Mr. Francis Lacoste, Mr. Jacques Tine } French Delegation
Mr. Harding F. Bancroft, U.S. Mission to United Nations

I had luncheon with Lacoste and Tine following our conversation with Coulson and Laskey (reported in US/A/AC.43/62).[1] The

[1] *Supra.*

French attitude toward our paper on assistance and facilities[2] was much more favorable than that of the British. They said frankly that the thing that frightened them off was the problem of bases and nothing more, and that they agreed that the Collective Measures Committee should consider the contributions which member states could make to support United Nations forces by way of all sorts of assistance and facilities, including rights of passage. In their view, rights of passage and bases did not come in the same category at all and they saw no objection to the former.

The thing that frightened them about our paper was the introductory part which made it appear that what we were driving at was to have the United Nations create a system of bases throughout the world on which much work would be done in advance to make the bases adequate for UN use by enlarging the facilities and doing all sorts of construction work. In other words, they said that it was the material in the first part of our paper rather than the conclusions that worried them.

I asked if they thought it would be possible for them, the British and ourselves to go over the paper and modify it in such a way as would make it acceptable for submission and consideration in the Committee. They replied that they thought this was a good idea and that it could be done. I said that we would undertake to prepare a draft revision of the paper to be used as a basis for discussion and I hoped we could get together to consider it soon.

In the course of our discussion, I outlined to them the same ideas of the concept of the Uniting for Peace resolution that I had to the British and the presentation which could be made in the report to offset the fear that any progress toward making the United Nations an effective collective security organization would be regarded as an anti-Communist effort. Lacoste said he agreed with the concept and thought it was desirable that it be expressed in the report of the Collective Measures Committee, as it would go far to eliminate the fears that all we were seeking was to make the United Nations into an alliance against a single enemy.

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[2] Reference is to document WGCMC D-18*c*, June 19, not printed.

740.5/8-1351

*Memorandum of Conversation, by the Special Assistant on United Nations Affairs, Bureau of European Affairs (Allen)*

SECRET [WASHINGTON,] August 13, 1951.

Subject: Relationships between UN–NATO:[1] Work of Collective Measures Committee

Participants: Mr. W. D. Matthews, Minister, Canadian Embassy
Miss Marian MacPherson, Third Secretary, Canadian Embassy
Mr. Hickerson—UNA
Mr. Sanders[2]—UNA
Mr. Allen—EUR

Mr. Matthews called on instructions to explore our thinking on the problem of UN–NATO relationships in the event of a general war.[3] He stated that the Canadian Government is of course convinced that the UN would have a useful role to play in a general war but had not yet reached any firm conclusions as to what that role should be and had some question as to the extent to which the problem and the concomitant question of UN–NATO relationships should be discussed with non-NATO countries now, specifically in the CMC.

Mr. Hickerson stated that in our view in case of a general war with the U.S.S.R., the probable sequence of events would be as follows: (1) NATO and its members, which constitute the hard core of power in the free world, would act immediately, and (2) the UN SC or GA, meeting as soon as possible, would pass an appropriate resolution naming the aggressor, calling on all countries to assist and naming some appropriate organ of NATO as executive military authority to prosecute the war on behalf of the UN. To have such a UN umbrella over the operation would bring considerable political, psychological and military advantages. However, no UN operation should interfere in any way in the strategic direction of the war. In the economic field, we frankly do not know how far the UN should go. UN economic agencies could perform useful functions (1) in calling upon members to apply economic sanctions, and (2) in performing the sort of task which the AMC is now doing in relationship to the Korean embargo, but we have doubts as to the extent to which such agencies should become involved in operations (i.e., food allocations by FAO). In the final analysis, direction of economic warfare must be in the hands of

[1] For additional material on this subject, see vol. III, pp. 1 ff.
[2] William Sanders, Special Assistant and Planning Adviser, Bureau of United Nations Affairs.
[3] For documentation on United States discussions with the United Kingdom and Canada concerning the danger of general war with the Soviet Union, see pp. 802 ff.

those actually running the war, although UN Specialized Agencies might implement some of the decisions.

Mr. Matthews stated that in general Canadian thinking on the substance is similar to ours. The Canadian Government feels that the executive control of a general war should be in NATO and not in the UN. On the economic side, although the UN could help coordinate the economic policies of non-NATO countries with those of NATO, his Government would be somewhat reluctant to give it extensive functions. In general, they feel that during a general war the UN, and particularly its economic agencies, should not be drawn in so much as to cause the neutralists (India, Indonesia, and others) to withdraw. It is important that the UN agencies retain the largest possible membership as a nucleus around which the post-war international organizational structure could be rebuilt. They, therefore, feel that public discussion now of the extent to which the UN should be utilized in a general war and the exact nature of UN–NATO relationships would be undesirable in that (1) it would tend to arouse the concern of such States as India and lessen their cooperation and participation in UN work, and (2) would provide the USSR with further propaganda ammunition to charge that the UN is being converted into an anti-Soviet alliance and perhaps give them an excuse to withdraw.

Mr. Hickerson replied that we too appreciate these dangers and therefore feel that any discussion of this matter in the CMC should be in the most general terms. Pointing out that the GA asked the CMC in its work to take account of collective self-defense and regional arrangements, Mr. Hickerson sketched out the type of general statements we had in mind (as contained in WGCMC 28*b*)[4] and asked Mr. Matthews whether the Canadians thought discussion in such broad terms would cause difficulty. Mr. Matthews felt that it would not. Mr. Allen pointed out that we did not contemplate submitting a separate paper on the problem. Moreover, the undesirable impact of any CMC discussion touching upon this problem is somewhat minimized by the fact that the CMC's work is not focused on a general war situation as much as it is on a Korean-type or even Kashmir-type situation in the future.

Mr. Sanders mentioned that the probability of a strong Soviet attack on NATO in the GA might well involve us in some discussion of the problem there. Mr. Matthews agreed and remarked that this underscores the importance of a carefully thought out line.

In conclusion, Mr. Matthews expressed his appreciation for the discussion and stated that the foregoing covered all the points his Government had in mind.

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[4] Document WGCMC D–28*b*, "United States Position on the Nature of Relationships Between the United Nations and Collective Self-Defense Arrangements," July 19, 1951, is not printed (320.2 AB/8–2751).

320.2 AC/S-1551 : Telegram

*The United States Representative at the United Nations (Austin) to the Secretary of State*

CONFIDENTIAL New York, August 15, 1951—6:21 p. m.

232. Re: CMC. At meeting with UK and French yesterday on questions relating to CMC report on military measures, British indicated in frank manner their basic attitude toward uniting for peace res and future progress that should be made in implementation thereof.

Coulson (UK) stated that UK had never liked res and had been pushed into it by our insistence. They were afraid last fall res would be thin edge of wedge leading to development collective security system beyond maintenance of UN units by members. He stated frankly that they objected to our fundamental concept that purpose of uniting for peace program was as stated in res preamble to ensure that pending Art 43 agreements the UN have at its disposal means for maintaining peace. He expressed view that so long as SC unable to function, no further efforts should be made to make UN effective as collective security agency.

It appeared that an underlying objection is fact that GA has authority and responsibility under uniting for peace res to institute collective action. UK objections stated last fall on grounds of GA irresponsibility are presumably still uppermost in their minds. They also continue to express fears of aggravating Soviet problem in various ways and use argument that universality of UN would be jeopardized.

Coulson indicated that despite policy position UK would agree to the conclusions relating to assistance and facilities and might agree to conclusions on rights of passage as set forth in Misun 64,[1] subject to FonOff check. But the tone and implication of his remarks made it clear that they would object to: (1) Statements in CMC report of objectives of uniting for peace program of type contained in Secretary's and Amb Dulles' statements in GA last year and subsequent speeches of the President, and (2) any GA program to extend or strengthen uniting for peace res.

In other words, we anticipate British objection to conclusions in CMC report expressive of our position that "the UN must move forward energetically to develop a more adequate system of collective security", as stated in Secretary's speech last year.[2] We feel that acceptance by CMC of policy conclusions of this sort would strengthen CMC report and its impact on member govts and their populations.

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[1] Telegram Misun 64 to New York, August 14, is not printed.

[2] Reference is to Secretary Acheson's address before the General Assembly on September 20, 1950; for text, see GA(V), *Plenary*, vol. I, pp. 23–27, or Department of State *Bulletin*, October 2, 1950, pp. 523–529.

CMC report shld show sufficient progress and determination for further progress to make clear that whole program is serious, worthwhile and susceptible of realistic and practical application.

Furthermore, if we have in mind a GA res based upon CMC report containing further recommendations to member states for purpose of increasing their awareness of responsibility to contribute to UN action and of augmenting their preparations thereof, we anticipate that considerable diplomatic preparation will be necessary in order to bring the UK along.

During course of CMC work, we have been able to persuade reluctant British to accept our program involving such matters as creation of military subcomite, study of steps for coordination of contributions of forces, and conclusions relating to contributions of assistance and facilities. Yesterday's meeting demonstrated clearly what has over period of months been becoming increasingly apparent that they have a basic difference with US policy of (1) increasing strength of UN in collective security field under uniting for peace program, and (2) not permitting UN to become impotent and suspend its efforts in this area simply because of inability of SC to fulfill its charter responsibilities.

French position in past has been close to British in respect to particular issues but has been based primarily on fear of making UN into anti-Soviet alliance and desire not to do anything in UN which would affect NATO. The extent to which French share fundamental British objection cannot be determined from French comments. In our view most other CMC members, including Commonwealth, would support our general approach rather than that of UK. We therefore think it would be helpful if Dept could approach Franks [3] on this question in order to help resolve this fundamental difference in approach. Dept might also consider whether FonOff should be similarly approached in London or question raised with UK in forthcoming FonMin meeting.[4]

AUSTIN

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[3] Sir Oliver Franks, British Ambassador in the United States.

[4] For documentation on the meetings of the Foreign Ministers of the United States, the United Kingdom, and France in Washington, September 10–14, 1951, see vol. III, pp. 1163 ff.

IO Files, Lot 71 D 440

*Memorandum of Conversation, by the Deputy Director of the Office of United Nations Political and Security Affairs (Popper)*[1]

SECRET [WASHINGTON,] August 23, 1951.

US/A/AC.43/69

Subject: CMC and Uniting for Peace Resolution

Participants: S—The Secretary
UNA—Mr. John D. Hickerson, Assistant Secretary
Mr. Harding F. Bancroft, Deputy U.S. Representative on the CMC
Mr. John Dickey, President, Dartmouth College[2]
UNP—Mr. David H. Popper, Deputy Director

An appointment was made with the Secretary to brief him on the work of the CMC and on the problems confronting us in the preparation of the report of the Committee and in subsequent action at the Paris General Assembly.

In outlining for the Secretary the work accomplished thus far, we mentioned our operating problems with the Defense Department and, with greater emphasis, our difficulties in persuading the British and French to go along with us on the basic conception of the Uniting for Peace program as a means of building effective collective security. We recalled the resistance we had met from the British and French in negotiating the Uniting for Peace Resolution at the Assembly last fall. We noted that their concern over the possibility of irresponsible Assembly action had not abated and that they still professed to fear that a vigorous Uniting for Peace program might have the effect of driving the Soviets out of the United Nations and breaking up the Organization. We also stressed the real importance, from a strict national interest point of view, of the collective measures program as a means of putting a United Nations umbrella over a NATO operation against Soviet aggression and of providing supplementary increments of strength in such a contest. It was suggested that the program for next year should include continuation of the work of the Collective Measures Committee, further efforts to stimulate the earmarking of national armed force units for possible United Nations action, and in particular efforts to encourage arrangements for granting rights of passage to forces acting pursuant to United Nations recommendation.

Dr. Dickey remarked that the work on collective measures would come to a focus first in the preparation of the CMC report and then

[1] Circulated as USUN document US/A/AC.43/69 on August 30, 1951.
[2] Consultant to the Department of State regarding the Collective Measures Committee.

in the Paris General Assembly debate. He felt that a great many people would be surprised if the program launched by the Secretary last year with such fanfare should not be energetically pursued by us now. He referred to the possibility that the British and French might work through General Eisenhower[3] to dissuade us, as they would put it, from complicating the development of strength in NATO by injecting consideration of the theoretical relationship between NATO and the United Nations. Dr. Dickey thought that if we were to let this problem of relationships slide, we might one day find that we were engaged in a NATO operation without the great moral and psychological benefits which the United Nations program provides.

The Secretary appreciated the problem confronting us with regard to the British and French and the question of NATO–UN relationships. He had the feeling that the hesitation of the British might arise from the possibility that they might some day use force unilaterally—for example, in Egypt or Iran—in such a way that the General Assembly might be ranged against them. The Secretary said that he thought we were on the right track and that if we would give him the necessary papers, he would study them and take the matter up with the British Foreign Minister in their conversations next month.[4]

[3] General of the Army Dwight D. Eisenhower, Supreme Allied Commander, Europe.

[4] Herbert Morrison, British Foreign Secretary, participated in the meetings of the Foreign Ministers of the United States, the United Kingdom, and France at Washington, September 10–14, 1951. Secretary Acheson and Foreign Secretary Morrison apparently did not discuss the Collective Measures Committee and related matters during that period.

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320.2 AB/8–2751

*Memorandum by the Assistant Secretary of State for United Nations Affairs (Hickerson) to the Secretary of State*[1]

SECRET [WASHINGTON,] August 27, 1951.

Subject: Progress under Uniting for Peace Resolution

This memorandum is prepared in response to your suggestion, made at your meeting with Dr. John Dickey, Mr. Harding Bancroft and myself on August 23, that we furnish you with some documentation on the principal problems arising in connection with the implementation of the Uniting for Peace Resolution, so that you might discuss the matter with the British Foreign Minister.

[1] A memorandum by Robert G. Barnes of the Executive Secretariat to Lucius D. Battle, Special Assistant to the Secretary of State, September 6, indicates the following: The present memorandum is a revision of a version (also dated August 27) which was accompanied by various attachments. The original draft was revised to avoid mention of the attachments in the belief that the Secretary would not need or have the time to read them. (320.2 AB/8–2751)

As we noted at the meeting, twenty-eight Members of the United Nations had by August 22 made responses to the last General Assembly's recommendation that they maintain elements of their armed forces for possible United Nations service, and in general these responses are encouraging. The Collective Measures Committee established by the Uniting for Peace Resolution is nearing the end of its work on a comprehensive report which will outline the military, economic and political lines along which collective action under the United Nations can be taken in response to recommendations of the Security Council or the General Assembly in future cases of aggression. In our view, the report will be an important document, and the program it outlines a serious and worthwhile program. We consider it most desirable that the gains made by your introduction of the Uniting for Peace plan at the General Assembly last fall, and then carried forward by the Collective Measures Committee, be consolidated at the Paris session of the General Assembly which opens on November 6.

Accordingly, we are pressing in the Collective Measures Committee for a strong report in order to lay a foundation for suitable General Assembly action in the fall. As we see it, the General Assembly should as a minimum make recommendations to Member States along the following lines:

*a.* Continuing the direction of past United Nations action, it should impress upon Member States the fact of their moral responsibility to take part in collective action under the United Nations, and to put themselves in a position which will enable them to play their appropriate role.

*b.* For this purpose it should stimulate states to continue their preparations for the establishment within their national armed forces of units which could be earmarked for United Nations service, and should encourage states to prepare to furnish other supplies, assistance and facilities in support of United Nations action, including rights of passage (generally as set forth in Article 43 of the Charter).

*c.* It should arrange for continuation of the work of the Collective Measures Committee for the next year, in order to carry forward the studies initiated in 1951 and to assist states in appropriate ways in advancing their preparations for cooperation in United Nations action.

The relationships which are developed between the security arrangements made under the North Atlantic Treaty and other collective and regional defense systems, on the one hand, and the Uniting for Peace structure on the other, may be of crucial importance for the development of the United Nations program. Our concept of the relationship between the Uniting for Peace program and the North Atlantic Treaty Organization system is not one which would in any way subordinate NATO action to the United Nations or limit the freedom of action of the North Atlantic Treaty states under the treaty. We conceive of the United Nations Charter as the basic moral foundation for NATO and as its tangible tie with the rest of the world. As such, the Uniting for

Peace program under the Charter would serve as a means of extending the area of support for NATO if the latter should become engaged in a war against an aggressor. We believe there would be very great dangers to NATO and to all peaceful nations if they should fail to mobilize both the moral and material resources of the whole free world in any major action against aggression. Thus it is in our opinion a matter of simple self-interest for the NATO states to further the sound development of the Uniting for Peace program. You may wish to assure the Foreign Minister, however, that we do not plan to seek the development of peace-time organizational relationships between the United Nations and NATO, and we agree with the United Kingdom view that it would be undesirable for the Collective Measures Committee at the present time to become involved in trying to spell out in detail, beyond presently agreed points, relationships which might exist between the United Nations and NATO or other collective security arrangements in the event of hostilities.

The British and French have expressed apprehension at our desire to move steadily forward in the implementation of the program as a whole both because of fear of possible irresponsible action by the General Assembly in a given case and fear that the USSR might seize upon the program as further evidence that the United Nations is becoming an anti-Soviet alliance and withdraw.[2] The British and French have also shown some anxiety with regard to our views on relationships between regional systems and the United Nations, and in general maintain that this problem should not be raised in the Collective Measures Committee or other United Nations fora.

JOHN D. HICKERSON

[2] For documentation on the possibility of Soviet withdrawal from the United Nations, see vol. II, pp. 455 ff.

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320.2 AC/8-2751

*The Secretary of Defense (Marshall) to the Secretary of State*

RESTRICTED WASHINGTON, August 27, 1951.

DEAR MR. SECRETARY: The Joint Chiefs of Staff have formulated the following views regarding the draft position paper, Initial Steps for the United Nations Coordination of Collective Measures Involving Use of Armed Force[s],[1] prepared by the State–Defense Working Group on United Nations Collective Measures.

It is noted by the Joint Chiefs of Staff that the conclusions regarding interim procedures for the integration of national military units

[1] Reference is to document WGCMC D-16*a*, June 4, 1951, not printed.

into a unified command are largely based upon the experiences of the Unified Command during the Korean operations. Although circumstances surrounding the future employment of United Nations armed forces will vary and may be quite unlike those in Korea, the Joint Chiefs of Staff believe that the Korean experience should provide an appropriate planning basis for the organization of and for the procedures in connection with future operations of United Nations armed forces.

The Joint Chiefs of Staff, from the military point of view, consider that the following principles should, among others, govern the military implementation by the General Assembly of the Uniting for Peace Resolution:

*a.* In the event of future aggression requiring the use by the United Nations of armed forces, the General Assembly should confine itself to determining that an aggression has occurred, identifying the aggressor, and designating an Executive Military Authority to conduct operations against the aggressor;

*b.* No strategic planning should be undertaken by the General Assembly of the United Nations or any of its organs in connection with the Uniting for Peace Resolution; and

*c.* Once United Nations forces are engaged in military operations in accordance with the Uniting for Peace Resolution, the United Nations organization should be used primarily for psychological purposes, for broadening the base of support for the military action, and for encouraging maximum contributions to the collective effort.

It is noted that in paragraph 3 of the discussion in the subject paper, it is stated that in Korea:

"The senior military representative of each nation contributing military forces had the right of direct access to the Commander in Chief of the United Nations Command 'on matters of major policy affecting the operational capabilities of the forces concerned'."

This statement, however, is not reflected in the Conclusions in the subject paper. The Joint Chiefs of Staff believe that access to the theater commander by the senior military representative of the armed forces of each nation should be restricted to purposes of discussion of national matters and matters of major policy affecting the operational capabilities of the forces concerned. The Joint Chiefs of Staff recommend that the conclusion in subparagraph 4(*n*) of the subject paper be amended accordingly.

The Joint Chiefs of Staff consider that the following points of a logistic nature should be contained in the paper:

*a.* A statement should be made as to the importance of having a contributing state furnish re-supply matériel. This information should be included among those topics listed to be furnished to the Executive Military Authority.

*b.* Experience in Korea has shown that an adequate replacement pool must be maintained in order to insure an effective fighting strength at all times.

Subject to the foregoing comments, the Joint Chiefs of Staff concur generally in the subject paper.

Faithfully yours, G. C. MARSHALL

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320.2 AC/8–2751

*The Secretary of Defense (Marshall) to the Secretary of State*

RESTRICTED WASHINGTON, August 27, 1951.

DEAR MR. SECRETARY: The Joint Chiefs of Staff have formulated the following views regarding the draft position paper, Facilities, Rights and Related Assistance for United Nations Armed Forces,[1] prepared by the State–Defense Working Group on United Nations Collective Measures.

From the context of the subject paper it would appear that the basic concept therein is that it would be in the interests of the collective security of the United Nations for Member States, among other things, now to inform the General Assembly, or an appropriate agency thereof, as to:

*a.* The bases, rights of passage, other facilities and related assistance they would be willing to make available in support of United Nations recommendations and actions for the use of armed force to maintain or restore international peace and security as well as the terms and conditions under which such assistance would be extended; and

*b.* The bilateral or multilateral agreements which they have or may enter into concerning such facilities or assistance.

On the basis of the foregoing, the draft position paper would appear to be primarily in the military field.

Political implications, however, cannot be divorced from the basic concept. Certain Member States, unable to offer substantial armed forces for the purposes of the Uniting for Peace Resolution, may, for national prestige, desire to make available, as their contributions thereto, facilities, rights of passage, and/or other assistance of related kinds.

The experience of the Korean war has graphically demonstrated the difficulties to be encountered in obtaining national armed force contributions from Member States for the purpose of resisting aggression. If, in the first instance, insistence is not placed on force contributions, certain Member States could be expected to seek to discharge wholly their obligations for collective action through proffers of bases or

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[1] Reference is to document WGCMC D–18*c*, June 19, 1951, not printed.

facilities. Furthermore, such offers may be influenced by individual national interests and by hope for capital improvement. In addition, the national motive behind such offers may be the desire on the part of a proffering nation to be absolved from existing treaty obligations with respect to the bases or facilities in question. In many instances this would be directly contrary to the security interests of the United States and/or its allies.

Inasmuch as the subject paper specifically states, and the Joint Chiefs of Staff agree, that strategic planning is not to be a function of any United Nations agencies established under the Uniting for Peace Program, it is doubtful if bases, facilities, etc. in limited numbers offered now by Member States would contribute directly to future United Nations military operations except when these are by chance in the proximity of the combat area.

If the responses by the Member States to the request of the General Assembly were so general as to constitute a world-wide system of bases, rights of passage, etc., the situation might be such that the United States would have to subject itself to higher strategic direction and control by the United Nations in order to obtain promptly the bases essential for the distant projection of United States military power in world war.

The Joint Chiefs of Staff are unalterably opposed to any course of action, expressed or implied, leading to assumption by the United Nations of strategic direction and control in a world war. Such direction and control must, from the United States military point of view, be exercised by those few nations who make the major world-wide contribution of armed forces and national treasure and who hold the direct responsibility for the operation of those forces in winning the world war.

The Joint Chiefs of Staff are unwilling at this time to recommend any proffer by the United States of its bases and facilities which are not directly connected with armed action in which the United States is presently engaged. During the period of the cold war the Joint Chiefs of Staff could not consider making available the principal operating bases from which the United States air and sea offensives would be launched in event of global war nor could they consider making available those bases and facilities required in the development, training, and deployment of United States military forces for such a war.

The Joint Chiefs of Staff would find serious objection, from the military point of view, to a full disclosure of the bilateral or multilateral arrangements which the United States may have with other countries concerning the use of bases and facilities. They are confident that many of their allies will have similar objections. In the interest of consistency as well as of national security, therefore, the

United States should not propose that the General Assembly call on Member States for information regarding the bilateral or multilateral agreements which they have or may enter into concerning facilities or assistance.

In the light of all of the foregoing considerations and from the military point of view, the Joint Chiefs of Staff cannot concur in the subject paper in its present form as to facilities, rights and related assistance for United Nations armed forces. Instead, they recommend that the paper be revised to call merely for an affirmation in principle by Member States of their willingness to make available to the Executive Military Authority of the United Nations, in the event of the use of armed forces in repelling aggression under Uniting for Peace action, types of facilities, rights of passage, and other assistance of related kinds.

Faithfully yours, G. C. MARSHALL

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320.2 AB/8–2751

*Memorandum by the Assistant Secretary of State for United Nations Affairs (Hickerson) to Mr. Lucius D. Battle, Special Assistant to the Secretary of State*

SECRET [WASHINGTON,] September 8, 1951.

Subject: My Memorandum of August 27 for the Secretary on Progress under Uniting for Peace Resolution

On August 27 UNA prepared a memorandum, with attachments,[1] in response to the Secretary's suggestion that we give him material on the basis of which he might discuss with Mr. Morrison, the principal problems arising in connection with the implementation of the Uniting for Peace resolution.

Since sending to the Secretary the memorandum of August 27, one important development has taken place of which the Secretary should be apprised before talking to Mr. Morrison. On September 6 an agreement was reached in the drafting group of the Military Measures Subcommittee of the Collective Measures Committee on a text relating to collective self-defense and regional arrangements. The drafting group included representatives of both the United States and the United Kingdom. A copy of the agreed text is attached hereto as Tab A.[2]

This text makes two important points:

First, that "collective self-defense and regional arrangements or agencies constitute an important aspect of the universal collective security system of the United Nations".

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[1] See footnote 1, p. 659.
[2] Not printed.

Second, that "there should be a mutually supporting relationship between the activities of [collective self-defense and regional] [3] arrangements or agencies and collective measures taken by the United Nations".

The agreed text is constructive and probably is as far as it will be possible to go at this time in emphasizing the crucial importance of clarifying relationships between self-defense and regional arrangements and the United Nations.

Nevertheless, it must be emphasized that this text falls far short of the United States position on this matter. For example, the United States position contemplates that regional organizations will seek to conduct their operations under the aegis of the United Nations, which would state the mission of the United Nations forces. Likewise, the United States position would have permitted recommendations by the Collective Measures Committee concerning the nature of the assistance—including bases and other facilities which might be furnished by regional organizations to an executive military authority designated by the United Nations in the event of hostilities. Therefore, the existence of this agreed text does not lessen the necessity of an approach to the British Foreign Minister concerning implementation of the United Nations resolution as recommended in the August 27 memorandum.[4]

[3] Brackets in the source text.

[4] No record of an Acheson–Morrison conversation on this subject has been found in the Department of State files.

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S/S–NSC Files, Lot 63 D 351,[1] NSC 85 Series

*National Security Council Progress Report by the Acting Secretary of State*

SECRET

WASHINGTON, September 21, 1951.

MEMORANDUM FOR MR. JAMES S. LAY, JR. EXECUTIVE SECRETARY, NATIONAL SECURITY COUNCIL

Subject: Third Progress Report on NSC 85, "Program of United Nations Action to Stop Aggression." [2]

NSC 85 was approved as Governmental policy on September 16, 1950. It is requested that this Third Progress Report (as of Septem-

[1] Master set of National Security Council documentation, 1947–1961, retired by the Executive Secretariat of the Department of State (S/S).

[2] NSC 85, September 14, 1950; the First Progress Report on NSC 85, October 26, 1950; and the Second Progress Report on NSC 85, November 16, 1950, are not printed. Documentation on United States proposals for strengthening the United Nations system in order to meet possible future aggression appears in *Foreign Relations*, 1950, vol. II, pp. 303 ff.

ber 13, 1951) be circulated to members of the Council for their information.

The following are the principal actions taken to date in fulfillment of provisions of the Uniting for Peace Resolution adopted by the United Nations General Assembly in November 1950, which is attached to the First Progress Report on NSC 85:

The Peace Observation Commission established by paragraph 3 of the resolution has been organized and is ready to function but has not been called upon to do so.

Thirty-two members of the United Nations have responded to the invitation in paragraph 9 of the resolution to submit information concerning the measures taken toward maintaining within the member's national armed forces elements so trained, organized and equipped that they could promptly be made available for service as United Nations units. Twenty-four of those responding expressed active support for the purposes of the resolution and the recommendation in paragraph 8. The precise characters of the measures which the twenty-four propose to take differ according to the particular circumstances affecting each state.

A working group of the Collective Measures Committee established by paragraph 11 of the resolution has submitted a report on the nature and general functions of the panel of military experts mentioned in paragraph 10. That report conforms fully to the United States position approved by the Departments of State and Defense. No member of the panel has yet been appointed.

The report by the Collective Measures Committee, called for by paragraph 11 of the resolution, on methods which might be used to strengthen international peace and security is being drafted and should be completed before the end of September. The Department of State is following the practice of obtaining the views of representatives of other interested agencies of the Government in connection with the report and has received the approval of the Department of Defense on phases of the United States position involving military or strategic considerations. When the report is completed [3] the Department of State will submit it to other interested agencies of the Government for their comment.

JAMES E. WEBB

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[3] The Collective Measures Committee adopted its First Report on October 3 (GA(VI), *Suppl. No. 13* (document A/1891)). For a statement by Harding F. Bancroft, United States Deputy Representative, with respect to the Report, released to the press by the United States Mission at the United Nations on October 7, see Department of State *Bulletin*, October 22, 1951, p. 666.

IO Files, Lot 71 D 440

*Position Paper Prepared in the Department of State*

SECRET
SD/A/C. 1/379/Rev. 1

[WASHINGTON,] October 22, 1951.

REPORT OF THE COLLECTIVE MEASURES COMMITTEE [1]

THE PROBLEM

To determine the United States position on the agenda item, "Report of the Collective Measures Committee" for the Sixth General Assembly.

RECOMMENDATIONS

1. The United States should take the lead in carrying forward the momentum initiated by the collective action against aggression in Korea and the "Uniting for Peace" Resolution [2] toward the continued development of an effective United Nations collective security system by introducing a resolution supporting the report such as contained in Annex A. We should seek the co-sponsorship of the United Kingdom and France, such other CMC Members who wish to join, and other States in the discretion of the United States delegation for the aforementioned resolution.

2. Such a resolution should have the following objectives:

*a.* Approval by the General Assembly of the CMC Report and extension of the CMC for one year.

*b.* Increasing the awareness of states of their responsibilities to support and contribute to the UN collective security system by (1) reemphasizing the recommendation to maintain UN units within their national armed forces; (2) recommending that states review their legislation and administrative regulations to insure they will be able to contribute to UN collective measures; (3) recommending that states take necessary steps to enable them to provide assistance and facilities to UN forces, including rights of passage and related rights, (4) inviting non-member states to consider ways and means whereby they can contribute to UN collective action.

*c.* Recognition of the mutually supporting relationship, in accordance with the Charter, between regional and collective self-defense arrangements and the UN collective security system.

*d.* Appointment of the Panel of Military Experts provided for in paragraph 10 of the "Uniting for Peace" resolution.

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[1] GA (VI), *Suppl. No. 13* (document A/1891).

[2] Resolution 377 (V), November 3, 1950; for text, see GA (V), *Resolutions*, pp. 10–12, or Department of State *Bulletin*, November 20, 1950, pp. 823–825.

COMMENT

1. *The Uniting for Peace Resolution*

On September 20, 1950, Mr. Acheson addressed the plenary session of the Fifth General Assembly and emphasized the following:

"The action of the United Nations to put down the aggression which began on June 25 against the Republic of Korea was exactly the effective collective measure required. It marked a turning point in history, for it showed the way to an enforceable rule of law among nations.

"The world waits to see whether we can build on the start we have made. The United Nations must move forward energetically to develop a more adequate system of collective security. If it does not move forward, it will move back."

To this end the US delegation placed before the Fifth General Assembly a number of recommendations designed to increase the effectiveness of UN action against aggression. Based on these recommendations, the General Assembly adopted the Uniting for Peace Resolution on November 3, 1950. Section C of the Resolution recognizes that an indispensable element of common strength rests in the maintenance by members of armed forces and other resources available for UN use. Section D established the CMC and directed it to study collective measures which might be used for the maintenance and strengthening of peace.

2. *Report of the Collective Measures Committee*

A. *Salient Features*

In furtherance of our policy of strengthening the capacity of the UN to take effective and prompt collective measures against aggression, the US in the past year has played a major role in the work of the CMC. The CMC Report as a whole, and in particular the military sections, reflects to a considerable degree the ideas of the United States Government. The most important features of the CMC Report are summarized in the Introduction (paragraphs 1–37); the guiding principles and recommendations in the chapter on economic measures (paragraphs 162–66); the guiding principles, procedures and conclusions in the chapter on military measures (paragraphs 250–263); and the conclusions (paragraphs 264–65).

1. Political

The Report listed as political measures appeals to parties, determination and denunciation of the aggressor, partial or complete severance of diplomatic relations, suspension or expulsion from the UN or its Specialized Agencies, and non-recognition of changes brought about by the threat or use of force. It recognized that their use would vary with the circumstances of each case and that they should be regarded

as primarily suitable for preventive action. They may be useful as a warning signal to the interested parties and to other nations, and can play an important role in exercising the moral judgment of the World Community and in establishing the broad foundation upon which UN collective action can be based.

In respect to the coordination of national action to increase the effectiveness of political measures and the establishment of machinery thereof, the report recognized the usefulness of creating some coordinating machinery but concluded that the question should be decided in each individual case.

The Report recognized that in the information field coordinated action designed to inform public opinion of the aims, the nature and scope of collective measures in the event of aggression might usefully contribute to the successful implementation of such measures.

2. Economic

The economic section of the report outlines the various economic measures which are available for collective application by the UN in order to weaken the aggressor or assist the victims. Measures to weaken nations threatening or breaching the peace included in the report are: (*a*) total embargo; (*b*) selective embargo including: arms embargo and embargo on other exports; (*c*) embargo on imports from an offending country; (*d*) severance of financial relations, including both selective and total prohibitions; (*e*) severance of transport and communications; (*f*) and sequestration of property. In addition to the aforementioned, the report discusses measures to assist victims of aggression including: financial, supply, relief, and refugee assistance.

The report analyzes each measure and outlines the considerations which should be taken into account by the UN in deciding on or recommending collective measures; it considers national action which should be taken by cooperating states; it points up procedures for coordination, including UN machinery, which should be established in order to make collective measures more effective; and it outlines collective economic measures to aid victim states and other states suffering from the application of economic measures.

The Committee recognized that the application of collective economic sanctions requires procedures and machinery for coordination. Accordingly, the Committee recommended that in the event that the Security Council or the General Assembly decides upon or recommends the application of collective measures against an offending State, a committee be designated *Ad Hoc* for the necessary coordination of the measures. While the actual composition of such a coordinating committee would be determined largely by the particular circumstances of the situation, it should have specific functions conferred to it by the

General Assembly or the Security Council. These functions include: receipt and study of reports from cooperating States on action taken by them in implementing collective economic and financial measures; coordinating action related to the adoption and application of measures; arranging for the analysis and interchange of information; making recommendations to the Security Council or General Assembly and giving such advice to States as may be appropriate regarding controls which might be applied; defining the scope of embargoes and other projects; and reporting to the Security Council or General Assembly on the operation of the collective measures.

3. Military

A foremost development, from the military point of view, is the provision, in the event of a decision or recommendation to take collective measures, for an Executive Military Authority to be designated by the United Nations. Under United Nations aegis, the EMA would be the agent responsible for the effective conduct of the military operation, and could be either a State or a group of States.

In studying military collective measures, the Committee examined how capabilities of States could be best organized to strengthen collective security and considered the methods by which contributions and efforts of States can be coordinated by the United Nations in the event of a decision or recommendation to undertake military measures. The Korean experience was drawn upon heavily.

The machinery for coordination of the efforts of States, international bodies, and the EMA was considered in some detail. On the initiative of Yugoslavia, the special position of the victim State or States was given particular recognition, as was the special interests of participating States, States situated in or contiguous to the area of hostilities. Based on the assumption that an EMA will have been appointed, possible procedures for dealing with requests for and offers of military assistance and with the utilization of such contributions were outlined.

B. *Adoption of Report by the Collective Measures Committee*

The CMC carried on its work through three separate subcommittees; political, economic, and military. In each case after the respective subcommittee completed its studies, its report was approved and submitted to the full Committee. While the full CMC approved the Report, certain Members stated that their governments had not had adequate time to give consideration to the full Report, and, therefore, reserved their position to suggest changes during the Sixth General Assembly. Other United Nations Members will probably be examining the report for the first time, and it is reasonable to expect that revisions and comments will be presented by them during the debate in Committee I.

3. *Policy Objectives of the General Assembly Resolution*

The collective action against aggression in Korea, the Uniting for Peace Resolution, and the studies of the CMC have each contributed to the further development of the United Nations collective security system. While progress already made has been substantial, there is much to be done before an effective United Nations collective security system becomes a reality. It would appear appropriate, therefore, for a resolution to have two main purposes: first, to highlight and register the concrete progress already made to strengthen the United Nations as the result of the steps taken in implementation of the Uniting for Peace Resolution by approval of the CMC report; secondly, to point the way toward further action for strengthening the United Nations collective security system. The over-all effect of highlighting what has already been done and what still needs to be done in order to achieve an effective collective security system can be expected to make all States far more aware of their responsibilities to that system which the United Nations is striving to develop.

It is anticipated that the USSR will oppose the proposed resolution as it did the Uniting for Peace Resolution. Because of the fear of some states that the effect of further efforts in this field will be to convert the United Nations into an anti-Soviet alliance, the United States approach should emphasize that the goals we are seeking in strengthening the United Nations are Charter goals and nothing we are doing is inconsistent with or in derogation of the Charter or the application of Article 43. Indeed, as pointed out in paragraph 18 of the report, such progress as the CMC can make in developing collective security under the United Nations will be of assistance to the Security Council in exercising its responsibilities under the Charter.

During the debate the US representative, if the appropriate occasion arises, should make a statement to the effect that we would welcome the cooperation of the Soviet Union, rendered in good faith, in building an effective United Nations collective security system and indicate our willingness to have them participate in the work of the CMC.

We recognize that an effective collective security system cannot be built solely by increasing the military strength of the United Nations. It is assumed that simultaneous with the application of collective measures the UN will continue to seek peaceful settlements. Furthermore, cooperation in the solution of international problems of an economic, social, cultural or humanitarian character is also among the major tasks of the United Nations, the successful fulfillment of which is essential to world peace. In the event the suggestion is made by a delegation, the United States should accept appropriate language along the above lines for inclusion in the resolution.

4. *Proposed Operative Clause of Resolution*

A. *Approval of Report and General Assembly Adoption of Collective Measures Committee Conclusions*

The conclusions and guiding principles expressed in the CMC Report were worked out with care in the Committee and should, in our view, be adopted by the General Assembly. Express General Assembly endorsement would enhance their status to a greater extent than by simple acceptance of the Report.

Of particular significance is the adoption by the General Assembly of the conclusion that States should not be subjected to legal liabilities under treaties or other international agreements as a consequence of carrying out United Nations collective measures. General Assembly adoption of this conclusion, as with others, will give it the firm moral support of world opinion and bring it closer to becoming well established as a principle of international law.

B. *Further Action for United Nations Units*

Paragraph 8 of the Uniting for Peace Resolution recommends that States maintain within national forces elements available as a United Nations unit or units. Thirty-eight responses have been received by the CMC; twenty-nine of these replies have been both positive and constructive, indicating active support for the Uniting for Peace Resolution. Of the nine remaining, only four are negative. (See Annex II, page 37, CMC Report, A/1891.)

The importance of Member States maintaining elements available for United Nations service cannot be over-emphasized. In this connection, United States policy should be directed toward stimulating further steps by United Nations Members in implementation of Paragraph 8. The maintenance of specific units by a maximum number of States can be expected to increase the moral and material strength of the United Nations and represents for some states the optimum method of carrying out recommendations of Paragraph 8.

C. *Legislative and Administrative Action*

The purpose of the Uniting for Peace Resolution is to increase the capacity of United Nations Members to take prompt and effective collective action in the event of aggression. In the case of some States, it may be that certain legislative and administrative impediments are present which constitute a bar to the prompt application of collective measures. The Resolution, therefore, recommends to Member States that they examine their legislation and administrative regulations and take whatever steps may be necessary to ensure that they will be in a position of readiness to take political, economic or military collective measures upon United Nations recommendation or decision.

D. *Assistance and Facilities for United Nations Forces*

The CMC Report recognizes that in the modern world collective measures must of necessity involve a variety of resources. In the event of a United Nations decision to apply collective measures, it is reasonable to expect that not only will armed forces be needed but also other assistance and facilities, including rights of passage and related rights in order for United Nations collective measures to attain maximum effectiveness.

The objective of this portion of the resolution is to emphasize the necessity for States to make available promptly, in the event the United Nations undertakes collective military measures, rights of passage and related rights for United Nations forces.

E. *Survey of Resources*

The General Assembly recognized the importance of the principle that States be prepared to make the greatest possible contribution to collective measures by the United Nations. The attached resolution should restate the recommendation contained in the Uniting for Peace Resolution that States should survey their resources.

F. *Regional and Self-Defense Arrangements*

The Uniting for Peace Resolution, in paragraph 11, directed the CMC to "study and make a report . . . on methods . . . which might be used to maintain and strengthen international peace and security in accordance with the Principles and Purposes of the Charter, taking account of collective self-defense and regional arrangements".

The United States response to the recommendation in the Uniting for Peace Resolution that Member States maintain United Nations units in their national forces made express reference to the North Atlantic Treaty. Our response included the statement that the Treaty comes within the framework of the United Nations, and that the United States forces in Europe maintained in furtherance of the Treaty could in appropriate circumstances, pursuant to the Treaty and the Charter, participate in collective military measures in the North Atlantic Area in support of United Nations action. The United Kingdom and France, as well as other NATO members, followed a similar pattern in their responses.

The CMC devoted considerable attention to the general relationships between regional and collective self-defense arrangements and the United Nations and the Report discussed these relationships in paragraph 10 of Chapter 1, paragraphs 161 and 164 in Chapter III, and paragraphs 182–195 inclusive in Chapter 4. The proposed Resolution deals with this subject in the sixth paragraph of the Preamble and the sixth operative paragraph. The effect of the Resolution is to recommend to States Members of the United Nations and also members of regional or self-defense arrangements or agencies that they

take into account the views set forth in the Report of the CMC. This recommendation states also that Members of such arrangements or agencies take account of how and to what extent such arrangements or agencies can make a valuable contribution to the collective security system of the United Nations within the scope of their authority.

G. *Panel of Military Experts*

Paragraph 10 of the Uniting for Peace Resolution provides for the creation of a Panel of Military Experts who could be made available to Member States upon their request to give technical advice regarding the organization, training, and equipment of military units. These experts can make a valuable contribution to the maintenance of national elements made available for United Nations service. The Resolution calls upon the Secretary General to appoint as soon as possible the panel so that it can be made available to States who may desire technical advice.

H. *Non-Member Participation in Collective Measures*

The Collective Measures Committee Report has emphasized the principle that United Nations collective action to be most effective should be as nearly universal as possible. Contributions to and support of United Nations collective measures should come from the maximum number of States, including those which are not Members of the United Nations. In the Korean collective action, contributions have been accepted from both Members and non-members. Furthermore, in order to reinforce international peace and security, the Collective Measures Committee Report makes various recommendations for additional preparatory steps that all States, including non-members, should take. These recommendations are included in the text of the resolution. Therefore, by including a specific reference to the contribution that non-members can make to United Nations collective measures, a step will have been taken toward laying the foundation for the universal application of collective action in the event of future aggression.

I. *Continuation of Collective Measures Committee*

The United States should support the continuation of the Collective Measures Committee for one year made up of the same membership with substantially similar terms of reference for the following reasons: (*a*) The task of building a collective security system requires further study and effort. In the time available there has been opportunity to make only a first general survey of the problems connected with the organization of the United Nations resources and the coordination of contributions from States to a United Nations armed force. The United Nations, in the interests of strengthening the machinery for the maintenance of international peace and security, should continue to study questions which have been surveyed only in a preliminary way. (*b*) A

continuation of studies is an explicit reaffirmation of the desire of the United Nations Members to further develop the system of collective security within the United Nations, and failure to do so would probably have deleterious psychological effects on the preparations and willingness of the free world to meet aggression. (*c*) During its first year, the Collective Measures Committee was unable to study certain important problems which would arise in the coordination of collective economic measures.

5. *Procedure in Submitting Resolution*

The United States representatives should seek early consideration of the Collective Measures Committee Report by Committee I. In submitting the Resolution, the United States should seek the co-sponsorship of other Collective Measures Committee Members and other United Nations Members who may desire to do so in order to obtain a broad geographical distribution. However, since we anticipate widespread support for the resolution, it is suggested that its co-sponsorship not be extended to the point where important concessions will have to be made.

Annex A

PROPOSED GENERAL ASSEMBLY RESOLUTION ON REPORT OF COLLECTIVE MEASURES COMMITTEE

*The General Assembly*

*Reaffirming* its determination, as expressed in the Uniting for Peace Resolution, to ensure that the United Nations have at its disposal the means for maintaining international peace and security pending the conclusion of Article 43 agreements;

*Recognizing* that for this purpose states must be in a position of readiness to support and contribute to United Nations collective action undertaken in accordance with the purposes and principles of the Charter;

*Having received* the report of the Collective Measures Committee rendered in accordance with Paragraph 11 of the Uniting for Peace Resolution;

*Encouraged* by the responses from Member States to its recommendation contained in that Resolution that they maintain elements within their national armed forces which could be made available for United Nations service;

*Convinced*, moreover, that additional action should be taken by states and by the United Nations in furtherance of the continued development of an effective system of collective security under the United Nations;

*Recognizing* that regional and collective self-defense arrangements concluded in accordance with the Charter are an important aspect of the structure of universal collective security and that they can and should make a valuable contribution to the collective security system of the United Nations;

*Recognizing* that United Nations collective action to be most effective should be as nearly universal as possible and that in the event of need, states not Members of the United Nations should unite their strength with the United Nations to maintain or restore international peace and security in accordance with the purpose and principles of the Charter,

1. *Approves* the report of the Collective Measures Committee and adopts its conclusions;

2. *Recommends* to Member States that each member take such further action as is necessary to maintain within its national armed forces elements so trained, organized and equipped that they could promptly be made available for service as United Nations units in accordance with Paragraph 8 of the Uniting for Peace Resolution;

3. *Recommends* to Member States that they examine their Legislation and administrative regulations and take such steps as are necessary to insure that they will be in a position of readiness to support and contribute, in accordance with their constitutional processes, to United Nations collective measures, whether political, economic, or military;

4. *Recommends* to Member States that they take such steps as are necessary to enable them in accordance with their constitutional processes to provide assistance and facilities, including rights of passage and related rights, to United Nations forces engaged in collective military measures undertaken by the Security Council or the General Assembly;

5. *Recommends* to Member States that they continue the survey of their resources provided for in Paragraph 7 of the Uniting for Peace Resolution;

6. *Recommends* to Member States which are members of regional or collective self-defense arrangements or agencies that as set forth in the report of the Collective Measures Committee they take account of the complementary relationship between the activities of such arrangements or agencies and collective measures undertaken by the United Nations and how and to what extent within the scope of such arrangements or agencies they can make a valuable contribution to the collective security system of the United Nations.

7. *Invites* states not Members of the United Nations to consider ways and means whereby they can contribute most effectively to collective measures undertaken by the United Nations in accordance with the purposes and principles of the Charter;

549-782—79——44

8. *Requests* the Secretary General to appoint the members of the Panel of Military Experts provided for in Paragraph 10 of the Uniting for Peace Resolution as soon as possible to the end that they can be made available on request to states wishing to obtain technical advice regarding the organization, training and equipment of the United Nations units referred to in Paragraph 2 above;

9. *Continues* the Collective Measures Committee and directs it, in consultation with the Secretary General and with such states as the Committee finds appropriate, to continue its studies on methods which might be used to maintain and strengthen international peace and security in accordance with the purposes and principles of the Charter, taking account of regional and collective self-defense arrangements, and report thereon to the Security Council and the General Assembly before the Seventh Session of the General Assembly.

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UNP Files, Acc. No. 71A5255, Lot 58 D 224 [1]

*Memorandum by the Assistant Secretary of State for Far Eastern Affairs (Rusk) to the Assistant Secretary of State for United Nations Affairs (Hickerson)* [2]

SECRET [WASHINGTON,] October 23, 1951.

Subject: Proposed General Assembly Resolution on the CMC Report.

In response to your memorandum of October 19,[3] I approve the proposed GA resolution on the CMC report subject to the following general comments.

Paragraph 6 of the substantive part of the resolution recommends to states members of regional arrangements that as set forth in the CMC report they take account of the complementary relationship between the activities of such agencies and UN collective measures. It is my understanding that this paragraph implies no obligation whatsoever on the part of the US Government or other Governments to raise in any regional arrangements the subject matter of that paragraph.

As you know, I believe wholeheartedly in strengthening the UN by means and at a pace consistent with the best interests of this Government. The US has assumed heavy security responsibilities under re-

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[1] Certain files of the Office of United Nations Political and Security Affairs, 1943–1956.

[2] Copies of this memorandum were transmitted to George W. Perkins, Assistant Secretary of State for European Affairs; Philip C. Jessup, Ambassador at Large; Harding F. Bancroft, Deputy United States Representative on the Collective Measures Committee; and David W. Wainhouse and Bernard G. Bechhoefer of the Office of United Nations Political and Security Affairs.

[3] By memorandum of October 19, Hickerson had distributed for comment the draft resolution contained in position paper SD/A/C.1/379/Rev. 1, Annex A (p. 676). This communication was directed to the following individuals: Ambassador at Large Jessup; Assistant Secretaries Miller (ARA), Perkins (EUR), Rusk (FE), McGhee (NEA); and Adrian S. Fisher, Legal Adviser.

gional arrangements—heavier than those of any other Government. We are all aware of the circumstances which necessitated the creation of the regional arrangements. They were not created to serve as regional enforcement agencies of the UN nor to perform functions outside the geographic area or otherwise beyond the scope of their authority nor to be subject to UN control. I believe that our Delegation and foreign Delegations should be under no misapprehension on these points.

We should not attempt to alter the basic structure and purpose of the regional arrangements as now constituted because ideally under a world organization regional arrangements should not be necessary or because steps looking toward the integration of regional arrangements with the UN might serve as a means of answering possible criticism of regional arrangements. Our security interests are too closely bound into these arrangements to have us tamper with them except upon full deliberation by all concerned officials at the highest levels.

For these reasons I believe that we would do well at the Sixth GA not to make a major issue of the relation of regional arrangements to the UN nor to press that issue beyond the point reached in the CMC report.

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IO Files: US/A/M(Chr)191

*Minutes of the Fourth Meeting of the United States Delegation to the Sixth Regular Session of the United Nations General Assembly, Hotel Astoria, Paris, November 5, 1951*

SECRET

Present: The Secretary
Ambassador Austin
Mrs. Roosevelt [1]
Representative Mansfield [2]
Representative Vorys [3]
Ambassador Jessup [4]

[Here follow a list of advisers present (43), the agenda of the meeting, and discussion of the first five agenda items.]

6. Re Report of the Collective Measures Committee.[5] Mr.

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[1] Mrs. Eleanor Roosevelt, widow of the President; Member of the United States Delegation.

[2] Representative Michael J. Mansfield of Montana, Member of Congress; Member of the United States Delegation.

[3] Representative John M. Vorys of Ohio, Member of Congress; Member of the United States Delegation.

[4] Philip C. Jessup, Ambassador at Large; Member of the United States Delegation.

[5] GA(VI), *Suppl. No. 13* (document A/1891).

Bancroft referred to this report as a continuation of the principles of the Uniting for Peace Resolution, the momentum of which must be maintained, in order to carry forward the aims of the UN in its collective security aspects. He outlined the history of the Uniting for Peace Resolution, and the chance it offered to the GA to take action in the security field in the event the SC were stymied. He noted that the responses to paragraph 8 of the Resolution numbered some 39–40, of which there were a few negative ones, but some 30–32 affirmatives, in the sense that they agreed to do all they could. Four of these say that they have completed plans for fulfilling this request by designating troops or warships for UN use.

Mr. Bancroft cautioned that there may be some comment on the Report of the CMC by members, in that governments did not in every case have a chance to approve the final draft. The US position on the CMC Report is for the GA to approve and adopt it, particularly because of a vital doctrine contained in it by which it would be established that any state carrying out its obligations under the UN in support of the Uniting for Peace Resolution or action taken thereunder is *ipso facto* relieved of any treaty obligations contrary thereto. (or inconsistent therewith). Also important in this Report was the recognition of relationships between UN and regional collective security arrangements, particularly NATO. It was a question, not of a Constitutional link, but rather of one of imbedding the concept that collective security depends both on single states and on regional arrangements. The US had a draft resolution to accomplish the above purposes. (SD/A C.1/379, rev. 1)[6] It concerned earmarking troops, looking at domestic legislation requirements, taking steps to enable constitutional action for providing assistance facilities, including rights of passage, and related rights, for UN forces on duty in a collective security undertaking; question of assistance for the UN from non-Members; the appointment of a Panel of Military Experts by the SYG, and the continuance of the CMC to report to the next session of the GA on its further studies.

Procedurally this matter should come up fairly soon in C.1, perhaps after the disarmament item, and perhaps after Korea, too. Since the Soviets opposed Uniting for Peace, it was to be expected that they will also oppose the CMC report. Many states, including the US, did not wish to see the UN made into an alliance hostile to the Soviet Union, so it might be that it would be wise to consider getting the Soviets into the concrete work of the CMC, or at least to make such an offer. Mr. Bancroft pointed out to Mr. Mansfield that the CMC report had no direct relation to Korea and for this reason could not be considered in connection with the appeals for additional troops for Korea. It was hoped, of course, that this would be a good start,

[6] *Ante*, p. 668.

however, on the road to convincing the slower states of the need to make their contributions to collective security just as soon as they were able to. Mr. Mansfield said this seemed to be only a nucleus, but was not enough. We must achieve a world police force.

Mr. Vorys asked whether the US had responded to paragraph 8, and if so, how we rationalized our constitutional limitations with the apparent ability from this resolution for the President to dispatch troops abroad in UN police actions. It was pointed out that the language of the CMC Report and the Uniting for Peace Resolution itself made strict provision for adherence to the domestic constitutional requirements of each state. The US paragraph 8 reply took all this into account.[7]

Ambassador Jessup wanted the language "position of readiness", in the draft resolution, restudied, since he assumed the CMC did not contemplate nations maintaining armed forces in a state of alert at all times.

[7] For the United States reply, June 8, 1951, see p. 644.

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UNP Files, Acc. No. 71A5255, Lot 58 D 224

*Memorandum by the Assistant Secretary of State for United Nations Affairs (Hickerson) to the Assistant Secretary of State for Far Eastern Affairs (Rusk)*[1]

SECRET [WASHINGTON,] November 5, 1951.

Subject: Proposed GA Resolution on Report of CMC

In response to your memorandum regarding the above subject,[2] UNA concurs in the comment that paragraph 6 of the operative portion of the Resolution constitutes no commitment on the part of the United States and other governments to raise in any regional arrange-

[1] Hickerson transmitted a similar memorandum (also dated November 5) to George W. Perkins, Assistant Secretary of State for European Affairs, replying to Perkins' memorandum of October 24 on the draft resolution respecting the CMC report. The Perkins memorandum reads in part as follows: "We of course believe that there must be a firm conceptual relationship between NATO and the UN, and we believe that NATO, by its very existence, is making an important contribution to the collective security system of the United Nations. We are also convinced that, in the event of hostilities in the NATO area, it will probably be necessary to establish a formal working relationship between NATO and the UN. However, we do not believe that such a relationship is desirable or practicable at this time. In general, we do not believe there is any concrete contribution which NATO, as an organization distinct from its member governments, can make at this time to the collective security system of the UN, except the indirect contribution which is already being made by virtue of NATO's basic program. . . . Therefore, we do not believe it would be useful to raise for consideration within NATO at the present time the subject of UN–NATO relationships or the problem of a specific contribution on the part of NATO itself to UN collective measures." (UNP Files, Acc. No. 71A5255, Lot 58 D 224)

[2] Dated October 23, p. 678.

ment the subject matter of that paragraph. Furthermore, UNA believes, as stated in FE's memorandum, that the UN should be strengthened by means and at a pace consistent with the best interests of this Government.

If we agreed on these points, does it not logically follow that in order for any possible future action against aggression to be most effective, preparatory consideration of the problem should be carried forward before an emergency arises? UNA believes it desirable that studies be undertaken initially within the Departments of State and Defense in order to determine whether regional arrangements, as distinct from their Member Governments, can make any concrete contribution at this time to the collective security system of the UN. Such studies would indicate whether it is worthwhile as a matter of hard-headed realism to work out plans for coordination and to initiate studies in various regional arrangements with a view to developing closer complementary relationships between them and the UN.

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UNP Files, Acc No. 71A5255, Lot 58 D 224

*The Assistant to the Secretary of Defense for International Security Affairs (Nash) to the Assistant Secretary of State for United Nations Affairs (Hickerson)*

SECRET

WASHINGTON, November 6, 1951.

DEAR JACK: The State–Defense Working Group on United Nations Collective Measures recently considered a position paper (SD/A/C.1/379/Rev. 1),[1] prepared in the Department of State, on the subject of the report of the Collective Measures Committee. This office is in general accord with the Recommendations contained in the position paper.

I would like to leave with you, before departing for Paris,[2] my comments on the proposed resolution attached to the position paper as Annex A. The resolution is well drawn and provides for thorough action on the Report by the General Assembly. I am concerned, however, with operative paragraph 6. Its inclusion is not supported by the Recommendations of the position paper, nor by the Conclusions of the Report adopted by the CMC and being recommended for adoption by the General Assembly. Moreover, it would be dangerous without the U.S. Government first having considered the necessity and advisability for such a move, to leave by implication to national

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[1] *Ante*, p. 668.

[2] During November, Nash served as an Adviser on the United States Delegation to the Sixth Session of the General Assembly at Paris. In this capacity, he participated in the development of the U.S. position in discussions with officials of the United Kingdom, France, and other nations resulting in an agreed draft resolution for presentation to the General Assembly. Regarding General Assembly action on this matter, see editorial note, *infra*.

interpretation and initiative the questions of how and to what extent nations can make a valuable contribution to the collective security system, beyond the very real and substantial contribution they are now making. The subject of relationships with regional defense arrangements is one with which the Department of Defense is directly and fundamentally concerned, and any proposal dealing with this question in the Sixth Session should be submitted as a matter of urgency to the Department of Defense for comment.

Paragraph 6 also would tend to divert attention from the importance of the action portion of Section B of the Conclusions, entitled "Further action by States." As we know from past experience in the preparation of the Report, we very likely will encounter the opposition of both the United Kingdom and French delegations on this point, at a time when we should make every effort to avoid differences and consolidate the gains made to date by the earliest adoption of the Conclusions, in order to demonstrate the solidarity and unanimity of the States which are supporting the principle of collective action.

The principal emphasis in the General Assembly, in my opinion, should be placed on Section C of the "Uniting for Peace" Resolution and Section B of the Conclusions of the Report: the maintenance by members of armed forces and other resources available for United Nations use. Korea has demonstrated a serious deficiency in troop and logistical support from other than the major non-communist powers, and, in instances, a deficiency in a sense of obligation to participate in such UN action as undertaken in Korea. It would be my recommendation to stimulate further efforts by UN Members in implementation of both paragraphs 7 and 8 of the "Uniting for Peace" Resolution.

It has been suggested that operative paragraph 8, requesting the Secretary-General to appoint the members of the Panel of Military Experts, be deleted on the grounds that it is suggestive of indirect censure of the Secretary-General for not having made these appointments earlier. It is entirely possible that the Secretary-General has withheld making the appointments pending the approval of the CMC Report, for which there would appear to be valid reason. At any rate, it might be the more charitable and less persistent position to delete this paragraph of inducement, particularly in light of the virtual blanket adoption by the members of the CMC of most of the U.S. views.

The Defense Department representatives on the WGCMC have registered with me their comments on other sections of the draft position paper. Their comments are set forth in the enclosure hereto,[3] and are directed toward more precise expression in the position paper.

Sincerely yours, FRANK

[3] Not printed.

*Editorial Note*

In Paris during the month of November 1951, United States Delegation advisers engaged in conversations with British and French representatives, as well as with officials of other nations on the Collective Measures Committee, in an effort to prepare an agreed draft resolution for presentation to the General Assembly. Documentation on these discussions is in file 320 and in IO Files, Lot 71 D 440.

At the 462d Meeting of the First Committee, December 3, 1951, João Carlos Muniz of Brazil, Chairman of the CMC, submitted the report of the Committee (GA(VI), *Suppl. No. 13*); for the summary record of his remarks, see United Nations, *Official Records of the General Assembly, Sixth Session, First Committee*, pages 59–60 (hereafter cited as (GA(VI), *First Committee*). On the same day, 11 members of the Collective Measures Committee (Australia, Belgium, Brazil, Canada, France, the Philippines, Turkey, the United Kingdom, the United States, and Yugoslavia) introduced draft resolution A/C.1/676, which included provisions approving the conclusions of the Collective Measures Committee report and directing the committee to continue its work for another year. For text, see United Nations, *Official Records of the General Assembly, Annexes, Agenda Item 18*, pages 1–2 (hereafter cited as GA(VI), *Annexes, Agenda Item 18*), or Department of State *Bulletin*, December 24, 1951, page 1027.

The First Committee did not direct its attention to the report of the Collective Measures Committee until after the first of the year. For the summary records of its consideration of this matter, January 2–9, 1952, see GA(VI), *First Committee*, pages 121–174. The First Committee ultimately adopted a revised version of the 11-nation draft resolution, as amended in the course of debate. This resolution contained provisions taking note of the report of the Collective Measures Committee, directing it to continue its work and report thereon to the Security Council and the Seventh Session of the General Assembly, and recommending that the Security Council convene a periodic meeting to consider measures to remove international tension. For text, see the report of the First Committee, document A/2049, January 10, 1952 (GA(VI), *Annexes, Agenda Item 18*, pages 4–7).

On January 12, 1952, the draft resolution approved by the First Committee was adopted by the General Assembly as Resolution 503 (VI), "Methods which might be used to maintain and strengthen international peace and security in accordance with the Purposes and Principles of the Charter;" for text, see United Nations, *Official Records of the General Assembly, Sixth Session, Resolutions*, pages 2–3. Documentation and additional information on First Committee and General Assembly disposition of this matter will appear in the *Foreign Relations* series for 1952–1954.

# FOREIGN POLICY ASPECTS OF UNITED STATES DEVELOPMENT OF ATOMIC ENERGY[1]

460.008/1–1651: Circular airgram

*The Secretary of State to Certain Diplomatic and Consular Offices*[2]

SECRET WASHINGTON, January 16, 1951—2:30 p. m.

Depcirgam Aug 16, 1948, 12:50 p. m. (copies of ref airgram were sent for info to those Missions receiving this airgram as indicated at the conclusion hereof)[3] described the necessity for establishing export controls in certain Western European countries to prevent the shipment of atomic energy items to destinations within the Soviet bloc, including China. The suggested controls were similar to those already in effect in the US and which the UK and Canada were then about to adopt.

The request for cooperation in effecting these parallel controls was limited to those WE countries where the items proposed for control were domestically produced. The program, as it is now in effect in the US, Canada, the UK and most of Western Europe, is based on two lists known as AEC Lists A and B compiled by the Atomic Energy Commission.

List A comprises atomic energy items subject to formal export regulations issued publicly by the Atomic Energy Commission pursuant to its responsibilities under the Atomic Energy Act of 1946. Included in this List are atomic energy raw materials such as all forms of uranium and thorium metals and compounds; facilities capable of producing fissionable material such as nuclear reactors, isotope separation equipment and electronuclear machines including cyclotrons, betatrons, synchrotrons, etc; and other directly related facilities such

[1] Continued from *Foreign Relations*, 1950, vol. I, pp. 493 ff. For documentation on United States policy with respect to the regulation of armaments, including international control of atomic energy, see pp. 443 ff. For documentation on discussions with the United Kingdom and Canada concerning the threat of general war with the Soviet Union, see pp. 802 ff. For documentation on U.S. national security policy, see pp. 1 ff.

For extensive additional information on United States atomic energy policy, see Richard G. Hewlett and Francis Duncan, *Atomic Shield, 1947–1952: A History of the United States Atomic Energy Commission*, volume II (University Park, Pennsylvania, The Pennsylvania State University Press, 1969). See also Margaret M. Gowing, *Independence and Deterrence: Britain and Atomic Energy, 1945–1952*, 2 vols. (London, Macmillan, 1974).

[2] Sent to 32 posts for action and to 26 posts for information.

[3] *Foreign Relations*, 1948, vol. I, Part 2, p. 739. The list of missions is not printed.

as radiation detection instruments and their components, mass spectrometers and mass spectrographs including components, leak detectors, and vacuum diffusion pumps of certain dimensions. List A is an unclassified document.

List B includes those items which have some general industrial application but which also have utility in the atomic energy field. Export of these items from the US is controlled by the Atomic Energy Commission in collaboration with the Department of Commerce through use of the licensing authority of the latter, supplemented by the voluntary compliance of US manufacturers.

List B contains such items as various forms and compounds of beryl, certain fluorine compounds, artificial graphite, certain types of diffusion pump oils, rare earth metals and compounds, heavy water, various types of vacuum pumps, induction furnaces, vacuum gauges, etc. This List has never been published, and has been handled on a restricted basis since wide dissemination is considered undesirable. Our Missions concerned, however, have been authorized to make this List available on a confidential basis to the authorities of govts to which they are accredited.

AEC Lists A and B should not be confused with either US Lists 1A and 1B or International Lists 1, 2 and 3 covering the control of strategic and industrial items which would contribute to the Soviet military potential. The handling of Lists 1A and 1B as a part of the negotiations with Western European countries for control of East-West trade was at first a prime responsibility of the Economic Cooperation Administration and more recently of the Department.[4] The International Lists are those accepted by most of the Atlantic Pact countries working together in this field through the Paris Consultative Group and its working committee known as the Coordinating Committee (COCOM). Although some of the items on AEC Lists A and B are also included on the East-West trade lists referred to above, the control program involving the AEC Lists has been and is being handled by the Department in cooperation with the Atomic Energy Commission on a separate basis.

The attainment of a complete embargo to Soviet destinations of all items on both AEC Lists A and B has become all the more essential in view of the critical international situation arising from the Korean war. The fact that the Soviets have been able to produce an atomic explosion makes particularly significant any items exported to the Soviet bloc which could further the Russian atomic energy program.

The Department, therefore, is taking preliminary steps with a view toward persuading those WE countries which have already instituted some form of export controls over domestically produced atomic en-

[4] For documentation on East-West trade, see pp. 993 ff.

ergy items, to expand their controls to cover atomic energy items entering those countries for transshipment purposes. If, as anticipated, the countries in question do take the necessary action to prevent the possible transshipment of atomic energy items through their respective jurisdictions to the Soviet bloc, it follows that the Soviets may well seek transshipment channels through other countries where no controls presently exist. Thus the object of this airgram is to request each recipient Mission listed for action at the conclusion hereof to determine with respect to its particular country:

(1) Whether a transshipment problem as described above already exists or is likely to exist in future;
(2) If so, whether the establishment of transshipment controls by the govt concerned would be feasible.

No formal approach on this subject to a govt should be made now, although a Mission at its discretion may sound out govt officials informally and discreetly to the extent it is felt necessary for reporting to the Department on the two questions raised above. (Please report by priority despatch marked "For the Office of the Secretary, S/AE".)

In the event that controls in a particular country do seem indicated, the Department will instruct the Mission to make the necessary approach and will furnish it with copies of the complete AEC Lists A and B. It is requested that action be taken on this airgram as promptly as possible.[5]

ACHESON

[5] The replies to this circular were summarized and compiled in a memorandum of June 6, 1951, prepared in the office of Mr. R. Gordon Arneson, Special Assistant to the Secretary of State for Atomic Energy Affairs. The memorandum, not printed, noted that European posts generally had reported that transshipment controls might be feasible, whereas posts in the Middle East and Far East generally did not consider such controls a realistic possibility. (Atomic Energy Files, Lot 57 D 688)

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Atomic Energy Files, Lot 57 D 688 [1]

*Memorandum by the Secretary of Defense (Marshall) to the Secretary of State and the Chairman of the United States Atomic Energy Commission (Dean)* [2]

TOP SECRET WASHINGTON, January 27, 1951.

Subject: Security of the Uranium Ore Mining Area in the Belgian Congo and the Ore Transport Route from the Mining Area to the United States.

1. As you know, the Department of Defense has been studying the above subject for some months. This memorandum contains our current views and recommendations for action.

[1] Department of State consolidated lot file on atomic energy policy, 1944–1962.
[2] The source text is labeled "abridged copy." No lengthier version has been found in Department of State files.

2. Comments concerning transport of material from the Congo to the United States:

With respect to the delivery of material to the United States by military means, there appears to be no insurmountable problem. However, it is believed that the military measures to be taken to insure that normal ocean transportation will not be interrupted will obviate the necessity for delivery of essential cargo by military aircraft or naval vessels. From General Handy's report,[3] it is noted that there are three alternate all-rail routes available for the shipment of the ore from the mining areas to the ports. These routes terminate at ports on the Atlantic Ocean, the Indian Ocean and at Capetown, respectively. Use of these alternate routes would require negotiations with the Portuguese and the Union of South Africa. The Belgian Government is constructing a major airbase at Kamina, but, since this facility is some 200 miles from the Shinkolobwe area, its use would necessitate rail or truck transportation of the ore from the mine to the field. There are, at the present time, two air strips available for use in case emergency airlift of the ore from the mines to the coast becomes necessary. Both strips are approximately 5,000 feet in length and are hard surfaced strips capable of supporting C–54 type aircraft. One strip is located at Elizabethville and one at Leopoldville.

3. Comment with respect to the security of the mining area itself:

*a.* With respect to the security of the mining area, the greatest threat is that of possible sabotage to the power sources to the mine or the destruction of the two mine shafts. An air attack on the area, while not impossible, does not appear to be a serious threat due to the distances involved. It would seem that some of this risk must be accepted since the construction and manning of an air defense system capable of thwarting such an attack does not appear to be feasible. However, the Director, Central Intelligence Agency, should be requested to make early arrangements for covert counter-sabotage to improve the military security of the Belgian Congo, particularly that of the Shinkolobwe mine to assure continued operation of the mine.

*b.* It is reported that communist activity and agitation among the natives of the Belgian Congo, as well as in adjoining areas, is somewhat on the increase. Since a large-scale uprising of the natives in the area or considerable disaffection of the natives employed at the mines or supporting activities would, in all probability, disrupt production, this is considered to be the primary source of danger. At present, it is doubtful that there are sufficient troops in the area to control large-scale disorders. It is, however, understood that the Belgian Government plans to increase the available troops by a battalion of Belgian white regulars to be stationed in the Katanga district. A major weakness in the control of the area is the lack of intelligence agents available to insure advance warning of possible trouble. At the present time,

[3] In late 1950, representatives of General Thomas T. Handy, Commander in Chief, European Command, visited the Belgian Congo to evaluate security conditions. The report by General Handy based on their investigation has not been found in Department of State files.

only one agent is operating in the Katanga district. Provided the Belgian Government were persuaded to expedite the deployment of the battalion of regular troops to the area and bolster the intelligence capabilities of the district in order to insure early warning of possible trouble, it is believed that the forces then available would be capable of dealing with any foreseeable danger. The Department of State should request the Belgian Government to take appropriate measures to counteract communist activity and agitation among the natives in the Belgian Congo.

4. Comment concerning possible necessity of seizing area by force:

There is a possibility that if Western Europe is overrun by the USSR, a collaborationist Belgian Government may succeed in closing off our sources of supply in the Belgian Congo of uranium and a number of other strategically important minerals. Under such circumstances our problem relative to the Congo would be similar to that of Martinique and North Africa early in World War II. The Joint Chiefs of Staff have under study the possible requirement, under such circumstances, for the seizure of critical areas in the Congo by force.

5. Recommendations for action:

*a.* The Belgian Government should be asked to increase the defensive capabilities of the mining area against possible internal disorders and external attacks by the provision of additional troops and the strengthening of intelligence forces.

*b.* The Belgian Government, and any other appropriate Governments which the State Department may feel necessary, should be urged to take all steps necessary to insure that at least one of the routes for the shipment of ore from the mining area is available at all times.

*c.* The Belgian Government should be requested to initiate immediately measures to maintain high morale among the natives of the Congo and to counteract communist activities in that area.

*d.* The Director, Central Intelligence Agency, should as soon as practicable initiate plans and preparations for covert counter-sabotage to improve the military security of the Belgian Congo, particularly that of the Shinkolobwe mine to assure continued operation of the mine.

G. Marshall

G/PM Files, Lot 68 D 349[1]

*The Special Assistant to the Secretary of State (Arneson) to Mr. Robert LeBaron, Deputy to the Secretary of Defense (Marshall) on Atomic Energy Matters*[2]

TOP SECRET [WASHINGTON,] February 9, 1951.

DEAR BOB: The British have now officially approached the Department on the matter of publishing the text of the Quebec Agreement.[3] You will recall that I told you the other day at the Commission that we were expecting this approach at any time, and that you said you would have to talk with Secretary Marshall in view of his personal interest in the problem.

I am enclosing a copy of the verbatim text of the discussion in the British House of Commons on January 30, 1951 which led the British Government to inquire whether we would be agreeable to making the Agreement public. With reference to Prime Minister Attlee's remark in the discussion that he would like to have a private word with Mr. Churchill[4] on the subject, the British Embassy has informed us that the Prime Minister merely told Mr. Churchill that he would approach the American and Canadian Governments in this matter. We were also informed that the British have already been in touch with the Canadians, and that the Canadian Government will probably not agree to publication.

Unless we receive positive reasons either from Defense or the Atomic Energy Commission why we should concur, we propose to inform the British that the Department of State cannot agree to

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[1] Subject files on atomic energy and space, 1950–1967, retired by the Office of Deputy Assistant Secretary of State for Politico-Military Affairs.

[2] LeBaron was also Chairman of the Military Liaison Committee to the United States Atomic Energy Commission. Arneson addressed similar communications to John A. Hall, Chief of the Office of Special Projects, United States Atomic Energy Commission, February 9; and to Brien McMahon, Chairman of the Joint Committee on Atomic Energy, March 2. Neither is printed.

[3] The Quebec Agreement, signed by President Franklin D. Roosevelt and Prime Minister Winston S. Churchill on August 19, 1943, contained the following provisions: The United States and the United Kingdom undertook never to use the atomic bomb against each other, not to use it against third parties without each other's consent, and not to transmit information regarding the development to third parties except by mutual consent. In addition, the agreement stipulated that since the greater wartime burden of production fell upon the United States, any postwar industrial or commercial advantages would be dealt with as between the United States and the United Kingdom in a manner to be determined by the President of the United States. Finally, the Quebec Agreement provided for the establishment in Washington of the Combined Policy Committee to effect United States–United Kingdom–Canadian cooperation in the field of atomic energy development. For text of the Quebec Agreement, see *Foreign Relations*, 1943, The Conferences at Washington and Quebec, pp. 1117–1119.

[4] Winston S. Churchill, British Prime Minister, 1940–1945; Leader of the (Conservative Party) Opposition in the House of Commons since 1945.

publication. The Department is strongly opposed to publication at this time for the following reasons:

1. To publish the text of the Agreement without explanatory comment as to its relationship to present Tripartite arrangements would be misleading.
2. If given, any such explanation would undoubtedly lead to questions on the present status of Tripartite relations which we would not now be prepared to answer.
3. Publication at this time would serve no useful purpose and the ensuing questioning and discussion might well render more difficult efforts to arrive at a new overall agreement along the lines set forth in the report approved by the Joint Chiefs of Staff on cooperation with the British and Canadians in the field of atomic weapons.[5]

We would appreciate receiving the views of Defense on this matter as promptly as possible.

Sincerely yours, R. Gordon Arneson

[Enclosure]

Discussion in the House of Commons Relative to Publication of the Quebec Agreement

(As taken from *Parliamentary Debates* (Hansard), House of Commons Official Report (Volume 483, No. 40, Tuesday, January 30, 1951—page 718)

ATOMIC ENERGY (ANGLO-AMERICAN ARRANGEMENTS)

Mr. Blackburn [6] asked the Prime Minister whether he will give an assurance that the relationship of equal partnership between America, Britain and Canada over the development and use of atomic energy still subsists.

The Prime Minister: As I stated in the course of the debate in the House on 14th December, there was a war-time partnership between the United States, the United Kingdom and Canada for the development of the atomic weapon. By agreement between the three Governments, the nature of these war-time arrangements has not been revealed on grounds of public policy. The position of the United States Administration in many of these matters is now regulated by legislation enacted in the United States since the end of the war, and the war-time arrangements have been modified accordingly. But partnership between the three countries for certain purposes in the atomic energy field continues.

Mr. Blackburn: Is the Prime Minister aware that in 1945 President Truman himself recognised that this relation of equal partnership then existed, and may we not be assured that the relationship

[5] Report of January 31, not printed.
[6] A. Raymond Blackburn, Independent Member of Parliament.

of equal partnership, which subsisted in 1945, still exists today, in 1951?

THE PRIME MINISTER: If the hon. Member had listened to my reply—

MR. BLACKBURN: I did.

THE PRIME MINISTER: —I said that the partnership between the three countries for certain purposes in the atomic energy field continued.

MR. CHURCHILL: There was an agreement about this in the war, and now that that agreement has been, as I understand, revoked by the Prime Minister and the Government, is there any reason why its terms should not be stated in public?

THE PRIME MINISTER: That would be a matter which would have to be agreed with the United States Government.

MR. CHURCHILL: Yes.

THE PRIME MINISTER: I could inquire into that, but at the present time I am precluded by that agreement from announcing what those arrangements were on the grounds of public policy as agreed with our co-signatories.

MR. CHURCHILL: I understand that the right hon. Gentleman will inquire from the United States Government whether there are any reasons why the war-time agreement should not now be made public?

THE PRIME MINISTER: I am prepared to inquire. I would like perhaps to have a word with the right hon. Gentleman on this matter. It is, as he knows, rather complicated and rather delicate.

MR. EMRYS HUGHES:[7] Is the Prime Minister aware of the recent statement by the Leader of the Opposition that this country has not the secret of the atomic bomb? If this is so, is this equal partnership?

THE PRIME MINISTER: I am not aware of that statement.

SIR HERBERT WILLIAMS:[8] May I ask whether I am to understand that for the first time in history we are bound by treaties which have not been published?

THE PRIME MINISTER: This was not a treaty.

SIR H. WILLIAMS: Surely, the definition of a treaty being an agreement between this country and another country, it must be published in peace-time, otherwise it is not valid?

MR. CHURCHILL: The point I was venturing to make is that the treaty—or not a treaty—the agreement, had been revoked, not that it had been maintained and kept in secrecy. It has been revoked, and having been revoked I do not see why the secret should not be revealed.

MR. BLACKBURN: I understood the Prime Minister to nod his head. Do we understand that the treaty has in fact now been revoked?

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[7] Labour Member of Parliament.
[8] Conservative Member of Parliament.

THE PRIME MINISTER: I have tried to explain twice that there was no treaty—it was a question of agreement. That agreement—[Interruption]—there is a great deal of difference between an agreement and a treaty. There was an agreement, but the agreement has been changed and altered and new agreements have been made.

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G/PM Files, Lot 68 D 349

*Mr. Winston S. Churchill to President Truman*[1]

PRIVATE LONDON, 12 February, 1951.

MY DEAR HARRY: Forgive me for bothering you with the enclosed, but I felt it my duty to my Country to send it to you.

With all good wishes

Your friend, WINSTON S. CHURCHILL

[Enclosure]

*Mr. Winston S. Churchill to President Truman*

LONDON, 12 February, 1951.

DEAR MR. PRESIDENT: I venture to address you on the question of the publication of the Agreement which I signed with President Roosevelt about the atomic bomb in Quebec in 1943. I have lately learned that this has been superseded by other agreements made by you with Mr. Attlee's Government in 1945 and later. Nothing was said to the British Parliament at the time about this very important change, and I feel it my duty to press for a disclosure of the original document and Agreement. As this has been revoked, and has no longer any binding force, I feel it belongs to the past and to history. Parliament however has a right to know what the British position was at the end of the war, and I cannot believe that the facts can be indefinitely withheld. The Agreement, although made in wartime, was, as its references to the use of atomic power for commercial purpose shows, intended to cover more than the wartime period. The original Agreement, now superseded, has acquired a new and practical significance from the fact that His Majesty's Government have, with my full support, accorded the United States a most important bombing base in East Anglia, and I have little doubt that Parliament would consider that this base should not be used for the atomic bomb without the consent of His Majesty's Government.[2]

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[1] Department of State file copy.

[2] For documentation on United States atomic warfare policy, including discussions with British and Canadian officials on this subject, see pp. 802 ff.

I believe that the publication of the original document would place us in a position where this guarantee would willingly be conceded by the United States. This would I am sure strengthen the ties which bind our two Countries together in "fraternal association" and effective alliance. This remains as always the prime object of any policy which I should support.

I congratulate you on the more favourable turn which events in Korea have lately taken.[3] I have always hoped that the United States, while maintaining her necessary rights in the Far East, would not become too heavily involved there, for it is in Europe that the mortal challenge to world freedom must be confronted. I express my gratitude to you and to your Country, which I love so well, for the Eisenhower Mission[4] and the far-reaching measures which it implies. In this I see the best hope of world peace, if time is given to us.

Yours sincerely, WINSTON S. CHURCHILL

[3] Documentation on the Korean War is presented in volume VII.

[4] In January 1951, General of the Army Dwight D. Eisenhower, who had been designated Supreme Allied Commander, Europe, on December 18, 1950, visited 13 European capitals. For documentation on this trip, see vol. III, pp. 392 ff.

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Atomic Energy Files, Lot 57 D 688

*The United States Atomic Energy Commission to the Secretary of State*

CONFIDENTIAL WASHINGTON, February 19, 1951.

DEAR MR. ACHESON: We have noted the current discussions which may result in the United States providing the Government of India with a substantial quantity of wheat.[1] We also recognize the humanitarian objectives of the proposed transaction.

The Commission is engaged in an expanded program which will draw drastically on our existing supply of raw materials. India has two raw materials of vital interest to the Commission, namely, monazite and beryl, which have been under embargo since 1947. Recently, arrangements have been made to secure small quantities of beryl, but monazite, which contains thorium, is still under embargo.

We feel that you should be aware of our concern over the inability of the United States to procure these two important raw materials and also that both beryl and thorium are required for the expanded program of the Atomic Energy Commission.

The Commission has noted also that the Government of India recently announced the discovery of uranium. We have asked your staff to ascertain the facts on this announcement through the American Embassy at New Delhi in order that we might evaluate the significance of this report.

[1] For documentation on this subject, see vol. VI, Part 2, pp. 2085 ff.

We write this letter in order that you will have before you the Commission's interest in beryl and thorium, as well as our continuing interest in uranium, when you engage in discussions with the Government of India. It is our hope that equitable arrangements could be arrived at now or in the near future which would secure monazite and larger quantities of beryl for the United States, and uranium if it becomes available, and in doing so, assist in providing the Commission with those crucial raw materials necessary for its program.

Sincerely yours, UNITED STATES ATOMIC ENERGY COMMISSION
Gordon Dean, Chairman

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G/PM Files, Lot 68 D 349

*The First Secretary of the British Embassy (Marten) to the Special Assistant to the Secretary of State (Arneson)*[1]

CONFIDENTIAL WASHINGTON, March 2nd, 1951.

DEAR GORDON: I told you the other day that Mr. Blackburn was due to ask the Minister of Defence[2] the following question in Parliament on the 28th February:—

"What steps is the Minister of Defence taking to obtain the fullest information as to atomic tests conducted by the U.S. since 1946 and for the future?".

2. I mentioned to you that it was proposed that the following reply should be given:—

"I refer the Honourable and gallant Member to the reply given him on the 14th February on this subject". (Blackburn's question on the 14th February was "To ask the Minister of Defence what arrangements he made to ensure the presence of military and scientific British observers at the recent atomic tests in the United States of America".[3] The reply was "None, Sir. Since the passage of the U.S. Atomic Energy Act of 1946 it has not been the practice of the United States Government to admit non-American observers to atomic tests")

3. When Blackburn asked his question on the 28th the proposed reply was given. Blackburn then asked the Minister of Defence, as a supplementary question, "If he was aware that during the war at great expense we gave the Americans all possible help with their project. Was it not utterly wrong and ungenerous, as most Americans would admit, for the United States authorities to have limited so much

[1] On March 7, Arneson transmitted copies of this letter to Robert LeBaron, Chairman of the Military Liaison Committee, Department of Defense, and to John A. Hall, Chief of the Office of Special Projects, United States Atomic Energy Commission.

[2] Emanuel Shinwell.

[3] Reference is to the Ranger series of atomic tests, conducted in Nevada, January 27–February 6.

their cooperation with us?". The Minister replied, referred to Anglo/U.S. relations, but it was not possible to hear in the gallery exactly what he said. (No doubt the correct version of the reply to this supplementary will appear in due course in Hansard.) A Member of Parliament of the opposition benches then asked, as a second supplementary, whether any British observers were present at the Nevada Trials and whether Lord Portal's [4] committee had received any report on those trials. The Minister of Defence replied that he had answered this question on the 14th February.

4. Blackburn then gave notice that in view of the very grave consequences which might flow from the present situation he would raise the matter on the adjournment at the earliest possible opportunity.

5. There is always a long waiting list of Members of Parliament with subjects to raise in the debate on the adjournment and we do not know whether or when Mr. Blackburn will in fact have an opportunity. We shall have some notice if this matter is to be raised on the adjournment and in that event we shall if it appears necessary keep in touch with you.[5]

Yours ever, TIM

[4] Viscount Portal of Hungerford, Controller of Atomic Energy, British Ministry of Supply.

[5] On March 22, Mr. Blackburn did comment further on the state of United States–United Kingdom relations in the field of atomic energy. The resulting discussion also dealt with international control of atomic energy and possible publication of the Quebec Agreement. On March 29, Marten transmitted the verbatim text of the debate to Arneson with the comment that he believed "nothing prejudicial" had been said. (Atomic Energy Files, Lot 57 D 688)

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Atomic Energy Files, Lot 57 D 688

*The Special Assistant to the Secretary of State (Arneson) to the First Secretary of the British Embassy (Marten)*

TOP SECRET WASHINGTON, March 9, 1951.

DEAR TIM: Herewith for your information is the substance of two communications recently received from Ambassador Johnson [1] on the problems of monazite in Brazil.[2]

In one communication,[3] Ambassador Johnson reported on a meeting he and Assistant Secretary Miller [4] had with Foreign Minister Neves Fontoura at which the question of monazite was briefly mentioned. In the discussion, the Foreign Minister made no reference to

[1] Herschel V. Johnson, United States Ambassador in Brazil.

[2] For additional documentation on this subject, see vol. II, pp. 1184 ff.

[3] Telegram 1117 from Rio de Janeiro, March 1, not printed.

[4] Edward G. Miller, Jr., Assistant Secretary of State for Inter-American Affairs, visited Brazil in February during the course of a trip to several South American countries.

the 1945 Agreement.[5] He said that Brazil wished to encourage the establishment of a processing industry in the country and stated that they would welcome the establishment of such a plant by the United States. He did not indicate whether he thought the plant should be established by private capital, but the inference was that the plant would be subject to Brazilian law under United States control and responsibility. The Foreign Minister did not expect an immediate answer to this proposition and said that if in the meantime the United States required monazite, Brazil would furnish it. His attitude on the matter seemed friendly and direct. He did not suggest, as he had in an earlier meeting, that our need for monazite would be specifically used as a bargaining point.

The Foreign Minister reiterated categoric assurance that none of this material would be shipped to any destination without U.S. concurrence. Ambassador Johnson told the Foreign Minister that he appreciated what he had said and that our views on this matter would be put in writing. The Foreign Minister indicated his agreement to this and said he would reply.

Ambassador Johnson has kept the British Ambassador informed on the substance of these meetings. He has told the British Ambassador that he has not brought up with the Foreign Minister the question of British interests under the Secret Agreement because he felt it would be beneficial to keep the matter as simple as possible. He told the British Ambassador, however, that in his letter to the Foreign Minister he would point out that Great Britain has an interest in the 1945 Agreement. Ambassador Johnson's understanding from the British Ambassador is that British interest in the matter is largely (1) that no monazite be exported to undesirable destinations and (2) that about 500 tons annually be secured for private industrial purposes.

Ambassador Johnson feels that in his letter to the Foreign Minister he should not suggest that the United States contract for the entire Brazilian production because he feels that such a suggestion would have unfavorable reception. Concerning the suggestion that the United States establish a processing plant in Brazil, he will state that he has reported the matter to his Government and is expecting instructions. In the meantime, he will endeavor to secure support for the prompt issuance of export licenses covering two lots of monazite which have been sold to the United States Government for stockpiling.

Ambassador Johnson recommends that the Brazilian suggestion concerning the establishment of a processing plant in Brazil should have the early consideration of the Department and the Atomic

[5] For text of the Memorandum of Agreement between the Governments of Brazil and the United States with respect to monazite sands and other carriers of thorium and thorium compounds, signed in Rio de Janeiro, July 6, 1945, see *Foreign Relations*, 1945, vol. II, pp. 20–23.

Energy Commission. He points out that both material and political interests behind this Brazilian desire are strong and articulate and he urges the Department to reach a definite conclusion in the matter. He adds that if the Foreign Minister concurs in our suggestion for a contract ensuring a continuous flow of supplies, the question of the longer-term arrangement is bound to come up and our position would be helped if we can make some constructive suggestions. He recalls that Lindsay of the Lindsay Light and Chemical Company at one time had an opportunity to establish a plant in Brazil.

Ambassador Johnson says he expects to deliver his letter to the Foreign Minister some time next week and would appreciate suggestions. He will give a copy of this letter to the British Ambassador.

In the other communication, Ambassador Johnson states that he has received reliable confirmation of his earlier conviction that the attitude of Foreign Minister Fontoura as expressed in the first communication represents a change in the Brazilian approach to the monazite problem. The Foreign Minister is not now thinking of monazite as a bargaining point. Also, he is aware of the nature and activities of Orquima and does not desire to serve the purposes of that project. He reflects the policy and intention of President Vargas[6] and of public opinion generally in the intention to encourage the establishment of a processing industry in Brazil. Probably he thinks it would not be practicable for the United States Government to establish a processing plant in Brazil but quite likely he would welcome a serious proposal from private American interests on this matter.

Ambassador Johnson suggests that to him the wisest approach would be to suggest that we will attempt to interest a private American firm in such a venture and then to inquire from the Foreign Minister what sort of terms the Brazilian Government could offer which would make such a project of interest to a private firm. Ambassador Johnson feels that the Foreign Minister is too realistic to believe that private U.S. interests could be interested in setting up a monazite processing plant without assurance of acceptable conditions beforehand. Ambassador Johnson feels confident that since the Foreign Minister has stated that Brazil will not ship the raw material to any destination without U.S. concurrence and at the same time having said that if the United States Government needs monazite, Brazil will furnish it, he will therefore be prepared to work out a practicable solution with us. Ambassador Johnson hopes therefore that he will soon be able to take to the Foreign Minister some constructive suggestion for a long-term solution to the problem following a temporary contract for the shipment of raw materials.

Ambassador Johnson feels confident that the Foreign Minister's change in approach on this problem has been discussed with President

[6] Getúlio Dornelles Vargas, President of Brazil.

Vargas and has his approval. The Foreign Minister stated both to Ambassador Johnson and to Assistant Secretary Miller that the idea of bargaining with the United States for advantage in the present world situation is contrary to his desire and intention. The Foreign Minister's influence with President Vargas will probably be along this line and will have to meet some counter pressure.

On March 7 Ambassador Johnson telephoned me from Rio, saying that he wished to get his letter off to the Foreign Minister. I told the Ambassador that we would proceed to give prompt consideration to the problem of the establishment of a processing plant in Brazil. I suggested that it might be useful now to ask the Brazilians what they could expect to offer which would be of interest to a private firm considering this proposal.[7]

Sincerely yours, R. Gordon Arneson

[7] Note No. 493 from Ambassador Johnson to Foreign Minister Neves da Fontoura on the subject of monazite, June 11, is printed in vol. II, p. 1201.

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Atomic Energy Files, Lot 57 D 688

*Memorandum of Conversation, by Mr. David H. McKillop of the Office of the Special Assistant to the Secretary of State (Arneson)*

TOP SECRET [Washington,] March 12, 1951.

Subject: Call of Governor General Ryckmans[1] on Assistant Secretary Perkins[2] for Reopening Anglo-American-Belgian Atomic Energy Discussions[3]

Participants:

*Belgians:*
Governor-General Pierre Ryckmans
Ambassador Silvercruys[4]
Professor de Hemptinne[5]
Attaché E. Harford

*Department of State:*
Assistant Secretary G. Perkins
Mr. R. Gordon Arneson
Mr. D. McKillop

*Atomic Energy Commission:*
Mr. J. Hall

After being introduced by Ambassador Silvercruys, Governor-General Ryckmans almost immediately inquired whether we had any new views regarding the proposed increase in the Belgian uranium export tax and was told by Mr. Perkins that we had not given much

[1] Belgian Commissioner for Atomic Energy; former Governor General of the Belgian Congo.
[2] George W. Perkins, Assistant Secretary of State for European Affairs.
[3] Documentation on previous discussions is included in material on atomic energy in *Foreign Relations*, 1949, volume I, and 1950, volume I.
[4] Baron Robert Silvercruys, Belgian Ambassador in the United States.
[5] Scientific Attaché, Belgian Embassy.

thought to this question pending receipt from the Belgians of justifying data.

Mr. Ryckmans stated that he thought increased revenue from uranium was justified in order to help meet expenditures connected with the following:

1. Belgian atomic energy program;
2. Belgian participation in a joint European nuclear physics project;
3. Advancement of the social and economic welfare of the Congo;
4. Military preparations for the defense of the Congo in general and of the Shinkolobwe uranium mine in particular.

He stated that present benefits to the Belgian Congo derived from uranium were in no way comparable to the strategic importance of uranium in the world today. He agreed that private profits should not accrue from uranium but that the Belgian Congo Government was entitled to tax benefits to be used for the welfare of the inhabitants of the area. In this connection, he pointed out that the Congo was a separate entity from Belgium although Belgium did have a legitimate interest to be considered since in the general mining concession to Union Miniere, it had been agreed that 50 percent of all minerals mined should be sent to Belgium. Belgium had, in fact, waived this stipulation in order that Allied requirements might be met, for which, however, she was entitled to some consideration.

Governor-General Ryckmans also stated that to meet the joint American-Belgian recommendations for increasing the defense of the uranium mine and the Congo generally, including the building of an airfield at Jadotville, military expenses would have to be greatly increased. Even the sending of a battalion of white troops involved according to Belgian standards a large sum of money.

Mr. Perkins pointed out that, in view of the considerable body of opinion in the United States that too many Europeans were expecting the United States to finance the military effort of Western Europe without corresponding economic sacrifices from the inhabitants, it might be very difficult to justify payments to Belgium to cover the cost of building up Congo defenses. Governor-General Ryckmans stated he realized this was true and that actually Belgium and the Congo would have to provide the money needed for military preparations.

Mr. Perkins also pointed out that uranium was a unique commodity which had no present significant commercial use and from which the United States derived no economic benefit, since it was being entirely used for military purposes in strengthening the defenses of the entire Western world. Therefore, he could not agree that the Congo Government should expect extraordinary benefits from uranium even in the

form of taxes, the proceeds from which would be used for the welfare of the inhabitants.

Governor-General Ryckmans said he could not agree on this point, and tried to make an analogy between Congo uranium and Iranian oil. He also expressed the belief that the use of atomic energy for commercial purposes was not as remote as people might think.

Mr. Arneson remarked that there were conflicting opinions as to when atomic energy could be used for power purposes but that the general body of expert opinion was that it would not be for some time. In any case it was longer than had been anticipated at the time the Uranium Agreement of 1944 was signed and, therefore, section 9(*a*) of the Agreement had been delayed in coming into operation.[6] In view of this fact and in keeping with the spirit of 9(*a*), we had offered certain technical assistance and expressed willingness to make a suitable financial contribution in order to help Belgium establish herself soundly in the nuclear physics field so that she would be in a position to benefit from 9(*a*) at the appropriate time. Accordingly, it had always been our understanding that this was the justifying basis for any assistance extended to Belgium at this time in connection with the Uranium Agreement.

Mr. Perkins stated that he thought the most logical justification for increased revenues from uranium was based on the need for funds to support a Belgian atomic energy program and inquired whether the Belgians now had a specific program.

Professor de Hemptinne stated that the Belgians had decided to build a graphite 6,000 kw reactor at the cost of about $10,000,000 and modeled after the British BEPO. In this connection, he said Sir John Cockroft [7] had informed Professor Ledrus [8] that most of BEPO would soon be declassified, which would permit the Belgians sufficient information to build a similar pile.

He also said that the idea of constructing a green salts plant in the Congo had been shelved in favor of construction of a research plant in Belgium capable of producing 25 tons of uranium metal per year at a cost of about $15 per kilo. Governor-General Ryckmans indicated that the output would be made available to the United States in accordance with the Uranium Agreement of 1944.

Governor-General Ryckmans stated the entire program would probably cost about $16,000,000 within the next four years, of which $10,000,000 would be for the construction of a BEPO, $2,800,000 for

[6] For text of the Memorandum of Agreement Between the United States, the United Kingdom, and Belgium Regarding the Control of Uraniam, September 26, 1944, see *Foreign Relations*, 1944, vol. II, pp. 1029–1030. Section 9(*a*) reads as follows: "In the event of the Governments of the United States of America and of the United Kingdom deciding to utilize as a source of energy for commercial purpose ores obtained under this agreement the said Governments will admit the Belgian Government to participation in such utilization on equitable terms."

[7] Director of the British Atomic Energy Research Establishment.

[8] René Ledrus, Belgian nuclear physicist.

general research and development through the Inter-University Committee, $1,200,000 for Belgian participation in a French-Italo-Swiss cosmotron project at Geneva and $2,000,000 for the construction of a pilot ore-refining plant in Belgium. The expenditures would average about $4,000,000 a year. This $4,000,000, of course, would not cover increased military expenses or social benefits to Congo inhabitants.

Governor-General Ryckmans thought that the present Communiqué [9] would have to be revised in such way as to indicate that Belgium was receiving specific economic benefits from the sale of uranium. He felt in order to safeguard uranium production figures, that a lump-sum payment per year might be announced although actually revenues would be derived from increasing the export tax.

Mr. Perkins pointed out that the proposals Governor-General Ryckmans had made were, of course, of interest to the British who would have to participate in the discussions leading to a final agreement. Therefore, he proposed that a meeting be held as soon as possible which would include the British.[10] He thought it would be extremely helpful at this meeting if the Belgian proposals and a description of their planned atomic energy program could be reduced to writing.

The meeting was then adjourned.

[9] Draft tripartite communiqué, November 1950, not printed.

[10] A tripartite meeting, the notes of which are not printed, occurred in Washington on March 14 (Atomic Energy Files, Lot 57 D 688). For the minutes of the tripartite meeting of April 5, see p. 713.

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855A.2546/3-1451 : Telegram

*The Ambassador in Belgium (Murphy) to the Secretary of State*

TOP SECRET BRUSSELS, March 14, 1951—5 p. m.

1489. Personal for Perkins and Arneson. ReEmbtel 1484, March 13.[1] Following is translation of note dated March 13 received today from Van Zeeland [2] confirming my conversation reported reftel.

"My dear Mr. Ambassador: You are doubtless aware of the interpellation of which I was the object during the course of last Thursday's [3] session in the Senate on the part of Senator Kluyskens regarding uranium. This interpellation and the support it received from numerous benches in the Senate reveal the state of mind of Parliamentary circles and of Belgian public opinion. I made an evasive and dilatory reply. However, the Government cannot keep the country indefinitely in this state of uncertainty and cannot itself remain in a state of expectancy. The question threatens to cause great difficulty for us.

[1] Not printed.

[2] Paul van Zeeland, Belgian Minister for Foreign Affairs.

[3] March 8.

"I have pointed out this incident to our Ambassador in Washington who together with Mr. Ryckmans, High Commissioner for Atomic Energy is conducting negotiations relative to Congo uranium with the American Government. I should be grateful to you if you would kindly consider possibility of supporting this approach in light of your knowledge of facts which I have recalled above.

"I beg to remain, etc."

MURPHY

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G/PM Files, Lot 68 D 349

*President Truman to Mr. Winston S. Churchill* [1]

[WASHINGTON,] March 24, 1951.

DEAR MR. CHURCHILL: I have given most careful consideration to the request contained in your letter to me of February twelfth, 1951, for publication of the Quebec Agreement. While I appreciate and have given full weight to the considerations prompting your request, I am forced to the conclusion that the Agreement should not be made public at this time.

It is true, as you say, that the Agreement recognized certain problems of cooperation in this field after the termination of hostilities. The resolution of these problems has been, and continues to be, a matter of discussion and arrangement between the Governments of the United Kingdom and the United States. Publication of the Agreement would be misleading unless it were also decided to make public the current status of cooperation and collaboration among the United Kingdom, Canada, and the United States in the field of atomic energy. Indeed, it would be exceedingly difficult, if not impossible, to resist pressures to make known this information once the Agreement were made public. I feel strongly that in present circumstances such a development would be seriously prejudicial to the interests of the United Kingdom and the United States as well as to our Allies under the North Atlantic Treaty.

I wish to express the appreciation of the United States and my own personal gratification for your far seeing and generous support for the granting of air base rights in East Anglia to the United States. I have been informed that the understandings that have been arrived at

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[1] The source text is a copy of the signed original sent by the White House to the Secretary of State on March 26 for transmittal to Churchill. This text, which constituted President Truman's official reply to Churchill's letter of February 12 (p. 693), was identical with a Department of State draft left with the President by Secretary Acheson on March 23.

In telegram 5383, April 11, Walter S. Gifford, United States Ambassador in the United Kingdom, transmitted an acknowledgment by Churchill of receipt of the present communication and of a "personal answer which preceded it." Churchill indicated that he would not continue to press the issue at that time. (G/PM Files, Lot 68 D 349) Truman's personal answer has not been found in Department of State files.

concerning these air base rights are mutually satisfactory to the political and military authorities of the two Governments.

I am moved by the sentiments you express concerning the turn of events in Korea and your gratitude for the Eisenhower appointment, developments of great significance to our common cause.

Most sincerely, HARRY S. TRUMAN

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751.13/3-2851

*The Deputy Counselor of the Embassy in France (Terrill)*[1] *to the Department of State*[2]

TOP SECRET AIR PRIORITY PARIS, March 28, 1951.
No. 2748

Ref: Embassy Despatch 2535, March 6, 1951[3]

Subject: French Atomic Energy Policy: Implications with Respect to the United States.

The Embassy's despatch, under reference, considered French atomic energy policy with reference to certain domestic issues which have arisen since the dismissal of Joliot-Curie.[4] The purpose of the present despatch is to examine the future implications of an expanding French program from the standpoint of American policy and to explore certain alternative courses of action which the Department may wish to consider.

*Consequences of French Expansion.*

Recent Franco-Indian developments, as reported in the Embassy's telegram No. 5544 of March 20, 1951,[3] suggest that the issues posed by expanding French activity in the atomic energy field are perhaps more immediate than the present state of French pile construction would indicate. The completion of the Saclay reactor will require at least another eighteen months, and the prospects for industrial scale facilities are considerably more remote. Nevertheless, as the Indian episode illustrates, consequences of importance to the United States may occur much sooner.

In the Embassy's opinion, it is difficult to specify any resulting advantages to the United States of an expanding French program, other

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[1] Robert P. Terrill was charged with the day-to-day management of atomic energy policy matters in the Embassy. He corresponded with Arneson on a regular basis regarding the state of atomic energy affairs in France and Europe generally.

[2] Passed to David K. E. Bruce, U.S. Ambassador in France, who was in Washington in connection with the visit to the United States of Vincent Auriol, President of the French Republic.

[3] Not printed.

[4] The French Cabinet announced the dismissal of Dr. Frédéric Joliot-Curie, High Commissioner for Atomic Energy since 1946, on April 28, 1950. Joliot-Curie was a frequent participant in Communist-sponsored activities.

than the diffused and general benefits which follow from advances in scientific knowledge. The disadvantages, however, are numerous.

In the first place, the French appetite for atomic energy materials will increase, with the result that France will not only continue to be active in the international market, but will also maintain present restrictions with respect to the exploitation of these materials throughout the French Union. This is disadvantageous to the United States and may even present certain dangers. For example, the French have made successful deals with Portugal and, as indicated above, are contemplating even broader relations with India. Meanwhile, the United States is excluded from direct and indirect access to the potential resources of the French Union at the same time that America is paying for the atomic weapons supremacy that protects France, is opening up many areas of the French Union, and is contributing indirectly through counterpart to the budget of the French Government which, of course, includes the Mineralogical Section of the French AEC.

In the second place, French expansion has less immediate but perhaps more disadvantageous consequences of a security character. As progress is made in the design or construction of a high power pile, and in the course of advances in such arts as isotope separation, the resulting data will almost certainly be accessible to the Soviets. In a body politic which includes many Communists and their sympathizers, it is illusory to expect that adequate security could be achieved by ridding the loosely organized French AEC of Reds and fellow travellers (see Embassy Despatch No. 2018, Jan. 24, 1951).[5] While it is essential that Communists should be eliminated from the French atomic enterprise, it is equally urgent that this should be done in all French scientific agencies since our purpose is to change the political orientation of French science by denying access on the part of Communists to important research facilities and administrative posts.

Similar considerations of security are equally pertinent and even more evident with respect to French assistance in the construction of atomic energy facilities in countries outside the North Atlantic Treaty area. The case of India appears to offer peculiar hazards of both an immediate and long-run character.

In the third place, as France increases her international connections in the atomic energy field and approaches the achievement of the fissionable materials goal, her diplomacy may be affected in the sense that French agreement and support for the United States in relevant matters might become less timely. In other words, a growing atomic energy establishment in France might be conducive to the exercise of

[5] Not printed.

independent policies in other fields. As a subsidiary aspect of such a development, reference should also be made to its possible repercussions in Germany where demands for "equality" can be expected to increase with the passage of time.

Although the foregoing summary is by no means exhaustive, it appears to suggest that an ambitious French program would be disadvantageous to the United States, both immediately and in the longer run. A question therefore arises as to possible courses of action which may be open to the United States and to which the Department may wish to give further consideration. Before examining this question, however, the Embassy believes that it would be useful to summarize its present understanding of American policy with respect to France in the atomic energy field.

*Summary of U.S. Policy Objectives.*

It is the Embassy's understanding that American policy toward French atomic energy includes four cardinal points:

(1) The United States wishes to maintain the continued support of France in efforts at international control of atomic energy through the United Nations.

(2) The United States seeks to promote and maintain on the part of France a strict embargo of atomic energy materials and equipment, regardless of origin, to the Soviet Union and its satellites.

(3) The United States will not encourage the French atomic energy project in any manner and seeks, in addition, to avoid the creation of any situation under which France could claim "atomic coin" in return for cooperation with the U.S. Beyond the usual diplomatic courtesies shown to other friendly nations, the U.S. will not facilitate French access to unclassified equipment or information. As a further corollary of this policy, the U.S. seeks informally to induce France to place less emphasis on nuclear physics and related subjects in its universities and research centers.

(4) The U.S. seeks to discourage the expansion of certain French activities in the international field, including the establishment of technical relations, particularly with nations outside of Western Europe.

It may be stated, in summary, that the United States has succeeded in its first objective. It has also been successful with respect to the second, although the formalities of French controls are not as yet sufficiently perfected to be completely satisfactory. Moreover, information as to the design of equipment and the result of its operations is almost certainly accessible to Soviet intelligence.

As to the third objective, the United States, while it has not cooperated with the French AEC, has, nevertheless, been progressively and substantially contributing to its industrial and financial base, mainly through ECA assistance in France and the overseas territories.

On the scientific plane, moreover, America is the most important source of contacts and inspiration for French atomic science.

With respect to the fourth objective, it appears, on the basis of information available to the Embassy, that the United States has been least successful. Instances where French activity has been precluded or limited seem to have required the exercise of United States influence upon the third countries in question. As events have shown, this has left considerable scope for French initiative.

*U.S. Policy Alternatives.*

The foregoing analysis suggests that there is a problem of U.S. policy toward French atomic energy which may be tentatively stated as follows: By what means may the United States exert its influence on France with a view to dissuading that nation from the pursuit of an overly ambitious program and from the establishment of undesirable relations with other governments in the field of atomic energy?

There appear to be four main headings under which this problem may be discussed. For the sake of brevity they may be labeled, respectively: (1) maintenance of the *status quo;* (2) the military alliance approach; (3) the limited cooperation approach; and (4) negative operations. As the following comments will indicate, these approaches are not mutually exclusive in all respects.

1. *Maintenance of the Status Quo.*

This course of action, which can be described as "vigilant neutrality", has been outlined above. It calls for persuasive action with respect to the control of exports to the Soviet Union but leaves the French free to develop their domestic and international programs with such resources as they can command. The disadvantages of exclusive reliance on this approach in the future have been indicated above in a summary description of the present situation. The advantages, however, have been noteworthy. By "vigilant neutrality," the United States, while keeping informed of French developments, has avoided becoming entangled or otherwise embroiled in French atomic energy affairs. The French atomic energy establishment is preeminently a body with a history, and this history suggests that, under the loose reins of the Fourth Republic, it is difficult to predict or control the behaviour of this semi-autonomous agency. For this reason, there is considerable to be said for a policy which would avoid all but the most discreet contacts, particularly in the absence of a comprehensive framework of military cooperation with France.

2. *Military Alliance Approach.*

Since the prevailing U.S. policy was initiated, a mutual defense program of far-reaching significance has been conceived, within which France, as one of the key powers, has come into increasingly close

military relations with the United States. This new development affords a possible avenue of approach on the part of the United States to persuade France to reduce her atomic energy program to stricter national control and to give adequate assurances that this program will henceforth be in conformity with mutual security interests. It could be pointed out that the United States is developing atomic weapons at enormous cost for mutual defense; that it is a waste of limited resources for France to pursue ambitious goals; and that French activities abroad are a threat to the security of the United States and to her other western allies as well.

The apparent advantage of this approach is that, if acceptable to France, it might substantially advance the United States interest without entanglement in French atomic affairs. It would not impair French collaboration through the United Nations and would lend itself to an improvement in the administration of French export controls.

The main drawback, on the other hand, is the likelihood that it might result in embarrassing failure owing to domestic political considerations under which resistance to American "pressure" is axiomatic for all parties. The acceptance of restrictive obligations and their subsequent execution would inevitably become public knowledge and would give rise to severe dissension. It appears doubtful that any cabinet formed thus far in the post-war period would have taken the attendant risks even if its individual members were in sympathy with the proposition, which in itself is a bold assumption. The French atomic energy program has genuine roots in public thinking (see Embassy Despatch 2535, March 6, 1951,[6] page 2), and a negative policy would almost certainly arouse parliamentary opposition. In view of these considerations, it seems unlikely that the military approach, taken by itself, could be successful as a means of exerting United States influence over French policy. It is possible, however, that a program with certain positive elements, to which attention will next be directed, might be advanced by the United States to overcome these difficulties.

3. *Limited Cooperation.*

As a separate approach or in conjunction with the military propositions mentioned above, the United States might offer to pursue, under carefully defined limitations, a somewhat more positive policy toward French atomic energy in the event that France saw fit to follow a desirable program. Such an approach could involve some or all of the following points:

(*a*) *Limited U.S. support for French research.* The U.S. could offer to expedite French requests for unclassified equipment and informa-

[6] Not printed.

tion. If French policy were properly reorientated, the area of discretion under the U.S. Atomic Energy Act might be interpreted with greater liberality.

(*b*) *Appropriate support for the creation of a European Nuclear Physics Center.* The U.S. might take a more benevolent attitude toward this project and might even supply certain unclassified research equipment. Such an offer by the U.S. would, of course, have a highly favorable effect in French atomic energy circles.

(*c*) *Offers to buy French atomic energy materials.* The U.S. could suggest that present French legislation be appropriately amended to permit private prospecting for atomic energy materials and their exploitation in French overseas territories, with subsequent long-term purchase commitments by the U.S. Government. Advances of U.S. funds for this purpose might be offered as a further inducement. French mining and metallurgical concerns should be specifically included in such an approach, and the possibility of profits to them could be stressed by offering to allow French industry to engage in preliminary treatment or refining of such materials.

The advantage of this approach lies in its positive nature. It saves French national pride in some measure, and, by offering to promote the peaceful aspects of the French atomic energy program, cuts the ground from under both the Communists and the "neutralists". In other words, it is defensible from the standpoint of domestic politics. Moreover, it permits varying degrees and several methods of cooperation and is not, therefore, an all or nothing proposition.

Its main disadvantage is that it involves possible entanglement in French atomic affairs which might be a source of future embarrassment. It remains, for future consideration, to determine whether appropriate and feasible safeguards could be defined and maintained.

4. *Negative Operations.*

In the event that present U.S. policy remains unchanged and that French developments at home or abroad assume dangerous aspects, consideration might be given to means of preventing or delaying specific projects or relationships. This, however, is essentially an emergency device rather than an international policy and will not, therefore, be considered further in this despatch.

*Summary and Conclusions.*

The foregoing may be summarized as follows: the expansion of certain activities in the field of atomic energy are detrimental to the United States. The fact that these activities are increasing indicates that existing American policy may not be adequate in various respects. An approach to the French, based on existing general commitments of a military nature, possibly supplemented by a positive policy of limited cooperation, appears to warrant further consideration to determine whether its disadvantages would outweigh its potential advantages to the United States.

ROBERT P. TERRILL

549-782—79——46

891.2546/4-451

*The Assistant Secretary of State for Congressional Relations (McFall) to Representative Jacob K. Javits*[1]

WASHINGTON, April 4, 1951.

MY DEAR MR. JAVITS: I welcome the opportunity afforded by your recent oral inquiry to make available information concerning materials found in India which are of value to the atomic energy program of the United States. You will understand that for security reasons it is not possible for the Department to provide detailed information on certain aspects of this matter.

The Indian Atomic Energy Act of 1948 is the basis for embargoing the export from India of all materials of importance to the development of atomic energy. The basic long range purpose of this Act is to develop atomic energy plants in India as a source of power for the benefit of the Indian people. The Indian Government felt it necessary to conserve its natural resources for future utilization in its own atomic energy program. This was the more true as there was and is a great deal of uncertainty as to the extent of India's resources in this field. Moreover, the Indian Government desired to begin the refining and processing of atomic energy materials in India at the earliest possible date, as an essential first step in the development of its long range program.

Raw materials of importance in the development of atomic energy which are known to exist in India are monazite sands and beryl. The existence of uranium ore deposits has been reported, but not confirmed.

Monazite sands are the principal natural source of thorium, a potential source of fissionable material. Thorium's utility in our atomic energy program is still potential as indicated by the following extract from a letter addressed to the Honorable Charles J. K. Kersten by the Chairman of the United States Atomic Energy Commission on March 5, 1951:[2]

"Our present requirement for thorium is confined to the small quantity necessary for our research program on this material. Thorium, however, may in the long run be an important material for the Commission's program. Therefore, we have both an immediate and an important long-range concern in thorium and, consequently, a continuing interest in assuring that thorium or monazite containing thorium is available to the Commission."

The Commission has no purchase program for monazite sands. Moreover, one private processor of monazite sands in this country has on hand partially processed sands containing several hundred tons of

[1] Assistant Secretary McFall addressed identical letters to Representatives Javits of New York and Thomas P. Morgan of Pennsylvania on April 4; to Representative Franklin D. Roosevelt, Jr., of New York on April 9; and to Representative Hugh B. Mitchell of Washington on April 16.

[2] Not printed.

thorium which have not been extracted because no profitable market exists in the United States at the present time.

The United States Atomic Energy Commission stated in a press release issued October 14, 1948:

"Current demand for monazite ore arises principally from its established uses outside of atomic energy since it is the only commercial source of the element cerium and other rare earth materials which are essential to many industries."

This is still true. The rare earths contained in monazite sands are required for varied industrial and scientific uses, many of these being of direct and immediate importance to the defense effort.

India is the principal world source of high quality monazite sands, with Brazil a close second. Other sources are of minor importance. Considerable interest has recently been shown in certain United States deposits where the monazite, although low in thorium content and somewhat difficult to mine, is rich in rare earths. India's reserves have been estimated at between one and two million tons, enough to meet foreseeable world requirements for at least a century.

In pursuance of its desire to process its own raw materials of atomic energy importance, the Indian Government has contracted with French interests for the construction of a plant to process monazite sands in India. It is worthy of mention that before entering upon this agreement, the Indian Government had sought without success to interest American and British industrialists. The thorium produced by this plant would presumably be embargoed for export under the provisions of the Indian Atomic Energy Act, but the rare earths would not. The United States would, therefore, expect to have the opportunity of buying these materials in the normal course of international commerce.

In the meantime and in view of India's large reserves and our urgent need, the Department, in consultation with other interested agencies of this Government, has been endeavoring to persuade the Indian Government to permit the export of monazite sands to this country. As I informed the Honorable Charles J. Kersten in a letter dated March 8, 1951,[3]

"The Department and the Embassy (in New Delhi) have, on numerous occasions, assisted representatives of various American companies in their approaches to Government of India officials. The Department and the Embassy worked closely with and assisted representatives of the Atomic Energy Commission who have taken up the problem in India.

[3] Not printed.

"Frequent and continuing approaches at all levels of the Indian Government have been made by the Embassy in New Delhi. Ambassador Henderson [4] has personally discussed the problem with the highest officials of the Indian Government. Other officers of the Embassy are in frequent negotiation with appropriate Indian officials. In December 1950, Ambassador Henderson wrote an informal note on the matter to the Secretary General, Ministry of External Affairs of the Government of India. The reply pointed out that India's domestic requirements for monazite precluded the possibility of exports and referred to the expectation that a plant for processing monazite would soon be operating in India.[5] The Embassy will continue its negotiations on this problem; the matter is not considered closed."

To turn to beryl, the principal source of beryllium, it should be noted that this element is not fissionable nor is it a potential source of fissionable material. It is, however, used as a neutron moderator in nuclear reactors. It also has important industrial uses, mainly in alloy with other metals.

India is a producer and was formerly an exporter of beryl. The extent of its reserves is not known, and the existing beryl mining industry is small and lacks modern equipment. A large increase in beryl production is, therefore, unlikely in the near future. The Department has discussed United States needs for beryl with the Government of India and is not without hope that some exports may be arranged.

As regards uranium ore deposits in India, it must be pointed out that reports thus far received are unconfirmed. If uranium ores do exist in India, their extent and quality have yet to be determined. This Government will, of course, closely follow further developments in this connection.

I am sure that you will agree with me that the foregoing information is relevant to United States assistance to India in its present food crisis only to the extent that the embargo on the export of these atomic energy materials reduces India's ability to pay for food grain imports. In that connection, you will be interested to know that if we received as much monazite sands and beryl as we desired from India, the dollar exchange earned annually by India would not exceed two million dollars. This is hardly a significant figure when weighed against the cost of two million tons of grain.

We should not, then, link our need for these strategic raw materials with India's need for food to save the lives of its people. Our proper course is to continue our discussions with the Government of India looking toward a relaxation of its embargo wholly independently of our action with respect to food grains.

Sincerely yours,

JACK K. MCFALL

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[4] Loy W. Henderson, United States Ambassador in India since 1948.
[5] The correspondence under reference is not printed.

Atomic Energy Files, Lot 57 D 688

*Minutes of the Meeting of United States, British, and Belgian Representatives at the Department of State, April 5, 1951, 4 p. m.*

TOP SECRET

Subject: Anglo-American-Belgian Atomic Energy Talks—Presentation of Anglo-American Reply to the Belgians.

Those present were:

*Americans:*

Mr. George W. Perkins, Assistant Secretary
Mr. R. Gordon Arneson (S/AE)
Mr. David H. McKillop (S/AE)
} State Department

Chairman Gordon Dean
Mr. Sumner Pike [1]
Mr. John A. Hall
} Atomic Energy Commission

Major Parsons } Defense Department

*Belgians:*

Ambassador Silvercruys
Governor-General Ryckmans
Mr. Harford

*British:*

Mr. Steel [2]
Mr. Marten
Mr. MacFarlane [3]
Mr. Longair [4]

Mr. Perkins opened the meeting by stating that our response to the latest Belgian approach [5] was contained in a memorandum [6] which he suggested the Belgian side read and then ask any questions or make any comment that might occur to them.

After about ten minutes study, Governor Ryckmans stated that our reply would make presentation of the matter to the Belgian Parliament very difficult. During the war it had been impossible to impose a tax or give any publicity to arrangements for the sale of uranium to us and as a result, the Belgian Parliament and public in general were to a large extent in the dark on the whole subject. Therefore, the Belgian Government was now faced with the necessity of justifying the wartime arrangements to Parliament, which it wished to do by showing

[1] Member of the United States Atomic Energy Commission.
[2] C. E. Steel, Minister, British Embassy.
[3] Dr. W. A. MacFarlane, Scientific Attaché, British Embassy.
[4] A. K. Longair, Assistant Scientific Attaché, British Embassy.
[5] Reference is to the position set forth in an informal Belgian memorandum dated March 12, not printed (Atomic Energy Files, Lot 57 D 688).
[6] *Infra.*

there had been a substantial increase in taxes on uranium since the initiation of the Agreement, proceeds from which were being used for the overall benefit of Belgium and the Congo. It appeared this could not be adequately done within the frame of reference of our reply.

Mr. Perkins pointed out that we also had our public relation problems, including the necessity of demonstrating to Congress the validity of the grounds on which we would make financial assistance available to the Belgians in the light of the Uranium Agreement.

Mr. Steel in this connection drew attention to the prodigious figures which the United States, and to a lesser extent the United Kingdom, had spent in developing atomic weapons, which constituted one of the chief deterrents to Soviet aggression in Europe.

Governor Ryckmans mentioned that the cost of uranium in comparison to the cost of our total AEC program is quite small. Mr. Perkins replied that the cost was only proportionately smaller, and Mr. Dean pointed out that an increase in the cost of uranium would be reflected throughout the entire program.

Governor Ryckmans stated that even though uranium was now used chiefly for military purposes, nevertheless, it was a great potential asset, and the possibility existed that when commercial uses of atomic energy became possible, there would be no more Congo ores or even substantial financial benefits as a result of the Uranium Agreement. The inhabitants of the Congo could then well ask what they had to show for their valuable former asset.

Governor Ryckmans continued that Mr. Van Zeeland had suggested the negotiations in order to assure the continued existence of the Agreement, which he was having to justify not only to the Opposition but to the Government Party as well. If no substantial benefits could be shown, the public might well ask why the mines were not nationalized at the very beginning in order to protect the national interest of Belgium and the Congo in so strategic a raw material. In 1944, however, the Governor had agreed that the whole matter should be handled on a commercial basis with the Government adopting a hands-off policy to the extent possible. On a nationalization basis, it would have been much easier for the Government to impose whatever uranium taxes it wanted. Governor Ryckmans further remarked that since the present tax rate on uranium was public knowledge, it might be difficult to publicize the proceeds from the tax.

Mr. Marten, however, felt the total tax revenue could be announced; that is, the total that had been received to date plus an estimate of what would be received between now and the end of the Agreement, but without identifying sums received in any particular year within the life of the Agreement. He thought that the amount of revenue already

collected indicated that the Congo Government has received substantial benefits from its uranium resources.

Governor Ryckmans then stated that he would have to obtain Brussels views on our reply.

Baron Silvercruys agreed, and said there was no use at this time to set a definite date for another meeting since it would depend largely on how soon Brussels views could be obtained. He feared that our reply would be disappointing to Mr. Van Zeeland due to the lowness of the figure constituting our offer of financial assistance and also to our rejection of the Belgian approach regarding benefits to the Congo and insistence upon limiting our aid to the atomic energy field. He felt that there would probably be Belgian counter-suggestions, and that our reply should be considered as another step in the over-all negotiations.

Ambassador Murphy expressed surprise that there should be disappointment over the fact we had limited our consideration of financial support to the atomic energy field since to the best of his knowledge, Mr. Van Zeeland had never mentioned anything except atomic energy as being the object of the negotiations.

Governor Ryckmans stated that actually the Congo should have all uranium tax revenue since uranium was the Congo's resource and not Belgium's. Current taxes imposed after the war had been made retroactive and so far all revenue therefrom had gone to the Congo. Using some of the revenue from an increased tax, however, to support an atomic energy development program in Belgium could be justified since such development would be directed toward goals involving increasing the value of uranium as a Congo product.

April 13, 1951.

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Atomic Energy Files, Lot 57 D 688

*Statement of the Position of the United States and the United Kingdom*

TOP SECRET [Washington,] April 5, 1951.

I. We have studied with interest the most recent expression of Belgian views in connection with current American-Belgian-British atomic energy discussions as well as the summary statement describing a Belgian four-year atomic energy program.[1]

II. We are sympathetically aware that the Belgian Government desires to be in a position as soon as possible to give the peoples of

[1] Reference is to an informal memorandum of March 12, not printed (Atomic Energy Files, Lot 57 D 688).

Belgium and the Belgian Congo assurances that their legitimate interests have been adequately safeguarded under the Uranium Agreement of 1944. It is felt, however, that the recent broadening of the Belgian approach to bring under consideration the financing of programs aimed at advancing the social and economic welfare of the Belgian Congo and strengthening the Congo's military defenses, introduces considerations which would serve only to delay the conclusion of a mutually satisfactory agreement. In this connection, it is believed that the following points should be taken into account:

1. The present negotiations were originally initiated over a year ago by the Belgian Government to discuss what immediate assistance might be rendered Belgium in the field of atomic energy in view of Section 9(*a*) of the Uranium Agreement of 1944.

2. In the course of the earlier negotiations, it was recognized that because the use of atomic energy for commercial purposes had not yet been achieved, it would be impossible to implement Section 9(*a*) for an appreciable time to come. Since this implementation would be delayed for a longer time than was probably anticipated at the time of the signing of the Uranium Agreement of 1944, and in keeping with the spirit of Section 9(*a*), we offered to extend to Belgium certain technical assistance which was outlined in an agreed text of a proposed joint communiqué and gave oral assurances that upon the formulation of a definite Belgian atomic energy program, we would give sympathetic consideration to rendering suitable financial assistance toward the support of this program. The object of this preliminary aid was to help Belgium establish herself soundly in the nuclear physics field so that she would be in a more advantageous position eventually to benefit from Section 9(*a*).

3. It was felt that assistance on this basis was justified by circumstances which would be apparent not only to the Legislative Branch of the Belgian Government but also to the Legislative Branches of the American and British Governments, from which funds for such financial assistance would have to be obtained. We feel, however, that we cannot now respond, for the following reasons, in any way which could be construed as agreeing that we are committed to the support of Belgian Congo programs in the social, economic and defense fields:

(*a*) We recognize the contribution Belgium and the Congo are making to the defense of the Free World in supplying a raw material of such strategic importance as uranium. We believe, however, that a valid comparison cannot be drawn between uranium and other strategic materials such as copper, tin, petroleum, etc., since uranium has no present significant commercial use, and its value is almost entirely dependent upon its military utilization. Given the present world situation, therefore, the benefits to be derived from uranium cannot realistically be measured in social and economic terms, but rather in terms of military advantages not susceptible to exact monetary evaluation.

(*b*) We have expended a vast effort and the equivalent of many billions of dollars in converting uranium into atomic weapons

which, during the last few years of international tension, have acted as the prime deterrent against aggression and as the chief shield of Western democracy. Belgium has thus directly benefited, and the Belgian Congo indirectly, not only from the uranium purchased by us at an equitable price but also from the immense expenditures which have produced atomic weapons for the arsenal of the West. A financial arrangement which singled out Congo uranium as a special source of revenue for the support of social and economic programs benefiting the Congo, would, of course, have as an end result the adding of the cost of such programs to the huge expenditures our taxpayers are already having to meet.

(*c*) By virtue of the 1944 Agreement Belgium stands to benefit from technical knowledge, which may eventually contribute to making possible the commercial use of atomic energy, gained in the course of the very costly atomic programs which we have been forced to undertake for military and strategic reasons.

(*d*) While we share with the Belgian Government the desire to see the social and economic advancement of the inhabitants of the Congo, we feel it follows from the foregoing reasoning that expression of this interest should not be specifically associated with uranium but more logically should be handled as a separate matter on its own merits in connection with such programs as Point Four [2] and ERP. In point of fact, it is understood that the Belgian Government already has under consideration a program for Congo participation in the technical benefits of Point Four and has made a request for substantial ECA loans for Belgian Congo development.

(*e*) Although it is true that the strategic importance of the Shinkolobwe mine from a military point of view emphasizes the need for taking all feasible precautions to assure the protection of the Congo, the occurrence there of other raw materials of great economic value, as well as Belgium's own natural interest in safeguarding the Congo from foreign attack, indicate the fairness in distributing throughout the Belgian and Congo economies the burden of defense costs. It is felt that expenses incurred in this connection can rightfully be regarded as part of Belgium's contribution to the mutual defense effort.

III. We have also studied the argument that while the price of other raw materials has risen, the price of uranium has only increased relatively slightly, concerning which we would like to reply as follows:

1. The Belgian Congo has profited from the recent large increases in the price of such commodities as copper, tin, cobalt, etc., in just the same way as Malaya has profited by the rise in the price of rubber. In fact, the terms of trade have recently moved considerably in favor of countries like Malaya and the Belgian Congo, which are exporters of raw materials, and against countries like Britain and the United States, which are large importers of raw materials, because the price of raw materials has increased relatively more than the price of manufactured products.

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[2] For documentation on the Point Four Program, see pp. 1641 ff.

We would like to point out that in keeping with the general rise of world commodity prices, the basic price paid for uranium under contracts with Union Miniere has risen from $1.45 in 1945 to $3.40 at present and will be raised to $3.90 in the middle of 1951.

2. There is a world market for copper, tin and cobalt, and their prices rise and fall according to the laws of supply and demand. There is no world market for uranium, and some other means of establishing a price has to be found. We believe that the fairest—indeed the only—means of establishing a price is by starting with the cost of production. Throughout the world the prices that we pay for uranium are based on the cost of production. If we use (as we conveniently can) a figure of 10,000 short tons (equals 20,000,000 lbs.) as an indication of the order of magnitude of the output of Congo uranium during the next four years, we shall be paying between $68,000,000 (at the $3.40 rate) and $78,000,000 (at the $3.90 rate) for 10,000 short tons of uranium. Of this $18,000,000 will accrue from the export taxes of $0.90 per lb. and will directly benefit the economy of the Belgian Congo. The remaining $50,000,000 to $60,000,000 represents more than the actual costs of production. A considerable part of this $50,000,000 to $60,000,000 will accrue to the Belgian Government by way of taxation.

At the same time it must be remembered that we have put up (or are about to put up) a large capital sum, totalling $13,000,000 for the development of the Shinkolobwe mine and of the amenities in the mine area. We have, furthermore, created by our demand for uranium, a profitable and prosperous mining industry at Shinkolobwe which would otherwise have been a much smaller and less significant enterprise.

Without wishing to labor these arguments unduly, the point we wish to make is that we are now paying a very good and equitable price for uranium from which the Congo Government is deriving substantial tax revenues. We feel, therefore, that insofar as commercial considerations are pertinent to uranium, its development under present contracts is producing the fair share of benefits that the Congo peoples have a right to expect from their natural wealth.

IV. In view of the foregoing and inasmuch as a change in the present tax would directly affect American and British interests, the Belgian Government is requested to take into consideration:

1. The equity and the political implications from an American and British point of view of the factors outlined above.

2. (*a*) The financial assistance we will render toward the support of a Belgian atomic energy program; (*b*) the value of the technical assistance we will lend Belgium, which represents know-how built up after long and costly research and development.

V. Even though our views may differ from those recently expressed by the Belgian representatives, we are mindful of the assurances given Foreign Minister Van Zeeland by Ambassador Murphy a year ago

that sympathetic consideration would be given to suitable financial assistance toward a formulated Belgian atomic energy program for the purpose described in 2 of I above. In the light of these assurances and of the summary statement of Belgian atomic energy plans for the next four years, we consider that suitable and equitable financial assistance to a Belgian atomic energy program would be in the order of the equivalent of a total sum of Eight Million Dollars. It is our view that this sum should be paid through the producer under the appropriate existing commercial contract and should be expressed as an addition to the payment for the material produced in the four-year period over which the total of the supplementary sum is to be paid. Accordingly, the Buyer, under the commercial contract, would be prepared to discuss with the Seller the mechanics of bringing this about.

In connection with your desire to make a public statement disclosing the amount of revenue accruing to the Belgian and Congo Governments from the sale of uranium, we feel that whatever statement is made should be developed in such a way as to avoid the security implications of this subject and therefore we would appreciate consultation with you on this point. If this proposal were adopted, the total revenue accruing—from the existing export duty and from the proposed additional contribution—directly to the Belgian and Congo Governments from the sale of, say, 10,000 short tons over the next four years, would be about $26,000,000.

VI. We would furthermore provide technical assistance, subject to further talks among American, Belgian and British technical experts aimed at determining how such assistance can best be adapted to the atomic energy program the Belgian Government now contemplates undertaking.

VII. It is understood that any public statements made concerning the foregoing arrangements are subject to agreement among the three Governments.

Atomic Energy Files, Lot 57 D 688

*Memorandum of Conversation, by Mr. J. Bruce Hamilton of the Office of the Special Assistant to the Secretary of State (Arneson)*

SECRET [WASHINGTON,] May 1, 1951.

Subject: Control of Atomic Energy in Germany.

Participants: From AEC—Mr. John A. Hall
Mr. Lyall Johnson [1]
Mr. John Roberson [2]
Mr. Ronald Spiers
Mr. James G. Beckerley
Dr. Paul Fine [3]
From GER—Mr. Geoffrey Lewis [4]
Mr. William K. Miller
Mr. J. Hay
From U/SA—Dr. J. B. Koepfli [5]
From S/AE—Mr. Arneson
Mr. Chase
Mr. Hamilton

Mr. Arneson said that although the Atomic Energy Commission had some time ago been asked to give consideration from a technical point of view to the problem of future control of atomic energy activity in Germany, the Commission Staff had found difficulty in progressing with this study because of a need for general political guidance as to the degree of control generally expected to be available in Germany in the future and the methods of implementing or enforcing these controls.[6] He added that a recent telegram from Germany (Frankfort No. 8728, April 28)[7] raising this problem along with similar problems in other fields, gave some urgency to the matter.

Mr. Lewis reviewed briefly the general policy on Germany, pointing out that although full sovereignty at an early date might be desirable, as a practical matter, because of the Soviet Zone of occupation in Germany, something less than full sovereignty seemed the only thing possible and he added that present thinking was in terms of a series of contractual relationships with Western Germany. He said that the general procedure here was to have American authorities in Germany prepare preliminary studies on each of the major fields in which a

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[1] Chief, Export Control Branch, Division of Production, United States Atomic Energy Commission.
[2] Executive Officer, Division of Research, U.S. Atomic Energy Commission.
[3] Technical Assistant, Division of Military Application, U.S. Atomic Energy Commission.
[4] Deputy Director, Bureau of German Affairs.
[5] Science Adviser, Department of State.
[6] For documentation on United States policy with respect to security controls in Germany, see vol. III, pp. 1701 ff.
[7] Not printed.

contractual relationship might be worked out, and submit these papers to the Department for review.[8] The Department, in consultation where appropriate with other agencies, would then attempt to work out a U.S. Government position. Generally, Mr. Lewis said such controls as seemed necessary would be available, but he added that it would be desirable to retain only those controls which were really essential.

At the moment, he said no papers covering atomic energy controls had been received, but he felt that it would be in order to ask for these at an early date. It was suggested that when these papers are received, a task group composed of representatives of the AEC, S/AE and others which may have an interest be called together to assist GER in evaluating the paper and working out a position.

Mention was made of the export problem in Germany. Dr. Fine stated that if we could effectively prevent the export of goods and information from Germany to the East, it might be possible satisfactorily to control the level of atomic energy activities by relying on the non-availability of essential equipment and materials. Mr. Lewis stated that while he was aware that the control of exports from Germany was far from perfect, he felt that it was probably on a par with other Western European countries and that the German problem in this respect was in fact a part of the Western European problem.

Specifically, in regard to Frankfort telegram No. 8728 of April 28, it was agreed that action should be transferred from S/AE to GER so that subjects in addition to atomic energy, which are included in this telegram, could be effectively explored, utilizing the resources of the Department of Defense and other appropriate Government agencies.

[8] For documentation on contractual relations with Germany, see vol. III, pp. 1446 ff.

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G/PM Files, Lot 68 D 349

*Memorandum by the Executive Secretary of the National Security Council (Lay)*

TOP SECRET WASHINGTON, May 21, 1951.

Memorandum for: The Secretary of State
The Secretary of Defense
The Chairman, Atomic Energy Commission

Subject: Cooperation With The United Kingdom and Canada on Atomic Energy Matters

References: *a.* Memorandum for Addressees from Executive Secretary, NSC, subject: "Effect of the Atomic Energy Act of 1946 on Scientific Intelligence Operations", dated March 29, 1951 [1]

[1] Not printed. For text of the Atomic Energy Act of 1946, Public Law 585, 79th Congress, 2d Session, see 60 Stat. 755.

*b.* Memo for Addressees from Executive Secretary, NSC, subject: "Exchange of Atomic Energy Information", dated April 18, 1951 [2]

The Chairman of the Atomic Energy Commission has requested that an early meeting be called of the Special Committee of the National Security Council on Atomic Energy [3] to discuss the following:

*a.* Cooperation with the United Kingdom and Canada on atomic energy matters; and

*b.* Draft amendment to the Atomic Energy Act of 1946 to provide a legislative basis for further cooperation with the United Kingdom and Canada.

Attached hereto for consideration in this connection are a statement expressing the views of the Atomic Energy Commission on cooperation in the field of atomic energy with the United Kingdom and Canada, and a draft amendment to the Atomic Energy Act, prepared in the Atomic Energy Commission.

As requested by the Chairman, AEC, a meeting of the Special Committee of the National Security Council on Atomic Energy will be arranged at your earliest convenience after allowing sufficient time for study of the attachments hereto. In view of the interest of the Central Intelligence Agency in this matter as expressed in the references, the Director of Central Intelligence will be invited to attend this Special Committee meeting.

JAMES S. LAY, JR.

[Annex]

*Statement Prepared by the Atomic Energy Commission*

TOP SECRET [WASHINGTON,] May 18, 1951.

VIEWS OF THE ATOMIC ENERGY COMMISSION ON COOPERATION IN THE FIELD OF ATOMIC ENERGY

1. The Atomic Energy Commission would like to set forth its conception of a desirable relationship among the United States, the United Kingdom and Canada, and certain other countries in atomic energy matters.

2. Under the existing *Modus Vivendi* established in 1948,[4] vexing problems have arisen. Lack of a durable solution to these problems

[2] Not printed.

[3] In matters of atomic energy policy, President Truman frequently directed the Secretary of State, the Secretary of Defense, and the Chairman of the United States Atomic Energy Commission to constitute themselves as a Special Committee of the National Security Council with a view to preparing recommendations for the President.

[4] For text of the *modus vivendi*, recorded in the minutes of the Combined Policy Committee, January 7, 1948, see *Foreign Relations*, 1948, vol. I, Part 2, p. 683.

has hampered the Commission in the accomplishment of its tasks and recently has not provided the assurance to the Commission that there will be continuity in the supply of ores for the production of fissionable material within the United States. Since the beginning of 1950, there has been merely an *ad hoc* annual decision on the allocation of raw material pending the solution of the larger problem of our relationship with the United Kingdom and Canada. As the special committee of the National Security Council stated to the President on October 2nd, 1950, in connection with the program for expansion of fissionable material: [5] "The proposed expansion program is in accord with, and is limited by the foreseeable supply of uranium ore. In this regard, it is recognized that to facilitate carrying this program forward successfully, the problem of cooperation with the United Kingdom and Canada in the field of atomic energy needs to be resolved."

3. During the next four or five years the United States is required, for the attainment of aims consistent with its general policy to:

"Strengthen the orientation toward the United States of the non-Soviet nations; and help such of those nations as are able and willing to make an important contribution to United States security, to increase their economic and political stability and their military capability." (See NSC 68, par. 21 *d*) [6]

4. The United Kingdom and Canada are among the non-Soviet nations able and willing to make an important contribution to United States security. While the USSR remains a major menace to the collective security of the non-Soviet nations (a situation which is expected to persist at least for the next four or five years), there is little danger that either the United Kingdom or Canada will deem it desirable to gain advantage over the United States in any field if the collective strength is thereby impaired. For this period, in short, cooperation among the three nations, rather than competition, appears to be the desirable policy in order to avoid wasteful duplication and to add to the collective strength in view of the common threat from the U.S.S.R.

5. In these circumstances it is to be expected, for the next four or five years, that each of the three nations will encounter occasional opportunities in many different fields to increase its individual security or the collective security by acts of assistance to, or cooperation with, one or both of the others. In fields other than atomic energy, arrangements and procedures to facilitate the recognition and exploitation of such opportunities as they arise from time to time appear

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[5] Report not printed.

[6] The text of NSC 68, April 14, 1950, which contains a report to the President on United States Objectives and Programs for National Security, is printed in *Foreign Relations*, 1950, vol. I, p. 234.

to be well-developed. In the field of military preparedness with conventional armaments, for example, there appears to exist a satisfactory relationship, refined by years of practice, which enables the three nations to seize promptly and exploit vigorously each evident opportunity for increasing the collective security by cooperation or mutual assistance.

6. *It is the Commission's hope that a tripartite relationship may be established which will enable the United States to take prompt advantage of every opportunity to increase its security by assisting, cooperating with, or obtaining assistance from the United Kingdom and Canada in the whole field of atomic energy.*

7. The existing *Modus Vivendi* has not established a satisfactory relationship with the United Kingdom and Canada. While it has served a purpose in certain areas, it has failed to serve a purpose in many other areas.

8. In the field of procurement of uranium ore, a cooperative arrangement among the three nations has operated successfully and smoothly for the past eight years. The allocation of ores among the three nations, in accordance with the needs of their respective programs, was made an *ad hoc* agreement in 1950. There is as yet no agreement for 1951.[7] Long-term understandings to assure the necessary allocation of raw materials to the United States are lacking.

9. The control of secret information jointly held has proceeded fairly smoothly, but now faces a practical difficulty of increasing magnitude. The three nations have a common concern to withhold from the USSR and its satellites information and ideas which might aid the atomic energy program of the USSR. At the end of the war it was possible to define certain bodies of classified information held by all three nations, or by pairs of them, and to set up procedures for ensuring that none of this knowledge should be made public except by joint consent. Through obsolescence, compromise, and progress, these bodies of common information have continually become smaller during the past five years, relative to the total classified atomic energy information in each of the three countries. There appears now to be a substantial and growing danger that any one of the three nations may, out of ignorance of the common interest, allow the publication of information which another of them has good reason to withhold. Uniform standards of classification and declassification are clearly desirable; if the standards are to be kept uniform in an expanding field of knowledge there must be enough interchange of information to enable each party to recognize what the others think should be kept secret.

10. Control of the export of materials and devices which might be specifically useful to the atomic energy program of the USSR has

[7] Unprinted documentation on ore allocation is cited in footnote 5, p. 764.

also proceeded fairly smoothly, but now also faces a growing practical difficulty of the same sort.

11. The discussions among scientists and engineers that have taken place within the Technical Cooperation Program established in 1948 under the *Modus Vivendi*, although strictly limited in scope and awkward in administration, have yielded a variety of information and ideas useful more or less immediately to the Commission program. The other two nations report that these exchanges of information and ideas have likewise been of assistance to them. It is the Commission's experience and conviction, based in part on the Technical Cooperation Program, that the United States has much to gain from the United Kingdom and Canada by a more extensive program of cooperation on subjects of common interest, so administered as to avoid delays and awkwardness. This would accelerate the technical programs of all three countries to the advantage of the collective security. A large number of specific cases, ranging from basic research to weapons technology, can be adduced to support this view.

12. The NRX reactor at Chalk River has been used by the United States under the terms of the existing *Modus Vivendi*, or under *ad hoc* arrangements for high intensity irradiations which could not be done within the United States. These irradiations have enabled the Commission to proceed more quickly and more surely with its tasks of basic research, reactor design and development.

13. The existing *Modus Vivendi* makes no provision for cooperation or mutual assistance in the weapons field, and the Technical Cooperation Program has strictly excluded any reference to this field. In this very field, however, there is now a conspicuous opportunity to which the Department of Defense has called attention: facilities for producing fissionable material are so distributed between the United Kingdom and the United States that each nation can increase the effectiveness of its own stockpile of atomic weapons, thus increasing also the collective security by an exchange of United Kingdom plutonium for United States U–235 or for finished composite weapons; such an exchange appears to be attractive to both parties over some range of possible exchange ratios. The planned production of interesting quantities of plutonium by Canada, and the willingness of Canada to sell this product to the United States, is a simpler example of a similar opportunity, which has, in fact, been exploited through an *ad hoc* arrangement.

14. The Commission's expanded production program and its program of development of improved weapons place an increased demand upon the supply of technical talent available to the Commission within the United States. It is the Commission's view that the United States should not be prohibited from utilizing and drawing upon available

549–782—79——47

and qualified talent in the United Kingdom and Canada, if situations arise wherein the personnel of those two countries could make a genuine contribution to the United States atomic energy program.

15. . . .

16. . . .

17. The foregoing examples will serve to illustrate the Commission's expectation that there will arise in the future, as in the past, many opportunities in many assorted fields related to atomic energy for the United States to enhance its own security by assisting, cooperating with, or obtaining assistance from the United Kingdom or Canada. It is the Commission's view that the development of a new relationship with the United Kingdom and Canada should have as its basic aim the establishment of an atmosphere and an administrative arrangement within which every such opportunity may be seized promptly and exploited vigorously. However, the Commission would be disappointed if the resulting relationships should be so designed as merely to capture the benefits of particular opportunities now clearly apparent, without providing also for the recognition and prompt seizure of other such opportunities, now unpredicted and perhaps unpredictable, which may arise in the future. It is the Commission's hope that a durable satisfactory tripartite arrangement can be made. Such an arrangement would at first relieve the existing uncertainty as to ore supplies, enable the United States and the United Kingdom to make optimum use of their existing production facilities, and allow accomplishment of various other acts of cooperation and mutual assistance, already well defined, which will patently enhance the collective security. It would, however, also provide flexible means for determining, from time to time, whether other such acts will improve the security of the United States, either directly or by strengthening one of the other two countries, and provide flexible means for accomplishing efficiently such acts as are thus determined to be desirable. It would also minimize wasteful duplication of effort.

18. The Commission has noted the position taken by the Department of Defense on this subject as identified by six positive objectives considered desirable from the military standpoint, namely;

*a.* To discover and exploit all of the best sources of uranium ores in non-communist hands, and get the maximum of supplies for the United States program.

*b.* To ensure that the United Kingdom and Canada convert their ore supplies into plutonium as quickly and efficiently as practicable.

*c.* To arm the United Kingdom speedily with efficient weapons in numbers consistent with the value of their plutonium production in terms of composite cores.

*d.* To ensure that in the event of war the United States–United Kingdom combined capability for atomic warfare is maximized by virtue of pre-war coordination.

*e.* To maximize United States, United Kingdom, and Canadian capability of offering active and passive defense against attack by atomic weapons.

*f.* To continue indefinitely the current arrangements with respect to Canadian ore, pile fuel, and plutonium production.

19. The Commission has also noted that the Department of Defense considers the six objectives should be achieved with two considerations in mind, namely;

*a.* The requirement to provide maximum practicable security to United States classified atomic energy information.

*b.* The desire that weapons production facilities, stockpiles for atomic weapons, and delivery vehicles should be located as safely as possible.

20. The Commission has set forth above in general terms certain of the problems that it has faced in connection with the present relationship with the United Kingdom and Canada on atomic energy matters. The Commission has also indicated why it is desirable and necessary to develop a broader type of relationship in order that the Commission can gain more from the United Kingdom and Canada on this subject.

21. For purposes of illustration of the Commission's position, we would like to identify below examples of the type of cooperation we have in mind. We consider it premature at this time to propose the particulars of a working arrangement with the United Kingdom and Canada or the details of a procedure for bringing such an arrangement into being. However, the Commission will join with other representatives of the executive branch of the government to assist in the further development of this matter before going to the Joint Committee; however, in asking for the necessary change in legislation, the Commission would not commit itself to the scope or methods of interchange—decisions as to scope and methods can only follow exploratory conferences with the other two countries.

22. While the examples made below have particular reference to the United Kingdom and Canada, the Commission considers that the existence of other problems in the field of atomic energy between the United States and still other countries, notably Belgium and the Union of South Africa, should be kept in mind. We believe, however, that these problems cannot be completely solved until a set relationship with the United Kingdom and Canada has been first established.

*a. Security and Strategic Factors:* It is considered that broader cooperation with the United Kingdom and Canada places an obligation on all three countries to scrutinize existing security procedures and policies in order to assure the three countries that the maximum security is being achieved. The strategic location of new facilities and stockpiles should be developed consistent with joint estimates of the various military factors involved.

*b. Raw Material Procurement and Research:* The joint procurement of raw materials should be continued on an intensified basis as well as the necessary cooperation on the associated problems of the geology of radioactive ores and the beneficiation of the ores. In order to provide the increased requirements of the United States and to take into account the requirement of the two production piles in the United Kingdom, it is necessary that every effort be exerted by the governments of the United States, the United Kingdom and Canada to assure sufficient raw material for the programs in the three countries.

*c. The Efficient Utilization of Raw Materials:* The foreseeable supply of raw material being somewhat predictable and limited, it is necessary that the three countries utilize the raw material in every process in the most economical and efficient way. Therefore, there should be broad cooperation in the problems pertaining to the development of uranium at both the research and production levels which will have as the basic objective the optimum efficient utilization of the material in all three programs.

*d. Research in Physics and Chemistry and Its Application:* There should be broad cooperation in basic research in physics and chemistry and, particularly, the application of this research to the various fields of atomic energy activity when such application will assist the United States, United Kingdom and Canada to utilize more efficiently the limited supplies of raw materials, man-power and facilities. These fields would include reactor development, production, biology and medicine, raw materials and weapons.

*e. An Exchange of Plutonium for Weapons or Weapons Components:* There should be established an equitable arrangement in order that the United States would receive the maximum quantity of plutonium produced from the two British piles and, in return, the United States should either speedily arm the United Kingdom with the efficient . . . weapon consistent with the value of their plutonium production or provide an equitable transfer of U–235 or other weapon components.

*f. Weapon Information:* The United Kingdom should be provided with sufficient information concerning atomic weapons in order that the necessary plans can be made for the utilization of the weapons, particularly in connection with the carrier and crews.

*g. Intelligence:* There should be complete and comprehensive exchange of information among the countries in order to maximize the United States–United Kingdom and Canadian capability of interpreting the status of atomic activity in the Soviet Union as well as providing a basis for developing active and passive defense against attack and atomic weapons.

*h. Exchange of Technical Personnel:* It is considered that an arrangement should be developed for the utilization of available and qualified talent in the United Kingdom and Canada if situations arise wherein the personnel of those two countries could make a genuine contribution to the United States atomic energy program. Conversely, when United States personnel could assist the Canadian and the United Kingdom programs in order to assure the most efficient utilization of facilities and the optimum production, such arrangements should be made.

[Subannex 1]

*Draft Prepared by the Atomic Energy Commission*

OFFICIAL USE ONLY [WASHINGTON, May 21, 1951.]

DRAFT AMENDMENT TO SECTIONS 5 AND 10 OF ATOMIC ENERGY ACT OF 1946

Add a proviso to Section 5(*d*) to read as follows:

Provided that nothing in this Act shall be construed to prohibit any arrangement for the transmission of any material, equipment or facility to other nations which the Commission, after having obtained the concurrence of the National Security Council, has determined will promote the security of the United States.

Delete present Section 10(*a*) (1), and substitute:

That any arrangements entered into after the date of this provision which involves the communication of restricted data to other nations, shall not be placed in effect until the Commission, after having obtained the concurrence of the National Security Council, has determined that the arrangement will promote the security of the United States.

[Subannex 2]

*Memorandum by Mr. Thomas E. Murray, Member of the Atomic Energy Commission, to the Chairman of the Commission (Dean)*

TOP SECRET WASHINGTON, May 17, 1951.

Subject: Relations with the United Kingdom and Canada in the Field of Atomic Energy

In passing along to the Special Subcommittee for Atomic Energy of the National Security Council the Atomic Energy Commission views on relations with the United Kingdom and Canada in the field of Atomic Energy I would appreciate your presenting my position as follows:

*a.* An expansion of the present Technical Cooperation Program will advance the United States Atomic Energy program.

*b.* The extent and means of expansion of the Technical Cooperation Program best suited to advance the United States program on a "quid pro quo" basis can only be determined following exploratory conferences between representatives of the nations concerned.

*c.* Public Law 585 should be amended to permit exploratory conferences and expansion of the Technical Cooperation Program.

*d.* Security practices of the United Kingdom and Canada should be equivalent to those of the United States before expansion of the Technical Cooperation Program begins.

*e.* It is my belief that a decision to transfer weapons to the United Kingdom is a military and political decision under the competence of

the Departments of Defense and State. However, it is recommended that the Atomic Energy Commission prepare and submit to the Special Subcommittee for Atomic Energy of the National Security Council a study on the Technical information which would be implicitly revealed to the United Kingdom by the proposed transfer of atomic weapons.

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Atomic Energy Files, Lot 57 D 688

*Statement of the Position of the Government of Belgium*[1]

SECRET

MEMORANDUM

I.

1. The Belgian Government has studied the Memorandum dated April 5th last.

2. It regrets that the United Kingdom and the United States Government are not able to take into consideration the Congo aspects of the problem. In its opinion any solution ignoring—or seeming to ignore—those interests would be basically unsatisfactory and likely to prejudice the international position of the three Governments concerned. Propaganda hostile to the Western Powers would not fail to take advantage of what would be labeled a demonstration of economic imperialism at the expense of a nonautonomous territory.

3. It is felt therefore that even a postponement in the conclusion of an agreement would be less harmful than a settlement open to criticism.

II.

1. The negotiations initiated at the end of 1949 were not successfully terminated because the Belgian Government has arrived at the conclusion that any agreement that did not embody a substantial increase in uranium taxation would be totally unacceptable either for public opinion or for the Belgian Parliament.

2. The financing of the atomic program to be carried out in Belgium is contemplated through *the earmarking by the Colony of part of the resources derived from uranium* for the purpose of scientific research which will contribute to the valorization of the natural wealth vested in the ore.

3. The rate increase of the special surtax on uranium will of course bring about a rise in the ore price. However the Belgian Government does not consider that the very fact that the Colony believes it should submit uranium to the *same treatment applied to all its other exports*, can be construed as implying a recognition by the United States and

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[1] Transmitted to United States and British officials by the Belgian Embassy on June 1.

the United Kingdom Governments of a commitment to support financially programs for the social and economic advancement of the Congo.

4. In their Memorandum the United States and United Kingdom Governments point out that uranium cannot be singled out as a special source of revenue. It is not a question of giving uranium a *special* treatment, but on the contrary of applying to this ore the *common* treatment imposed on all other raw materials exported from the Colony. In this connection, it is not without interest to quote hereafter the present rates of export taxes on some raw materials from the Congo:

| | | |
|---|---|---|
| coffee Arabica per ton | Frs. | 5.010 |
| plantation rubber | | 6.500 |
| cotton | | 8.300 |
| cassiterite | | 12.850 |
| tin | | 17.750 |
| tungsten | | 21.550 |
| granulated cobalt | | 23.375 |
| cadmium | | 96.450 |

III.

1. The Memorandum contends that the Congo has greatly benefited from the general rise of all raw materials, and is not justified therefore in increasing its taxation on uranium.

The Belgian Government considers it would be wholly unjustified to maintain, for uranium *alone*, taxation at the 1948 level while fiscal revenue on all other raw materials have increased.

2. The Memorandum further indicates that the fairest—and only—means of establishing a price is by starting with the costs of production. This way of computation would only be valid if easily replaced materials or practically unlimited deposits were involved. Experts of the purchasing countries do agree that such is not the case for Congo uranium: the deposits, though exceptionally rich, are indeed very limited and there are no substitutes for them. It is not at all unlikely that they will be completely exhausted by the end of the present contracts. One cannot reasonably pretend that the mere collection of a normal industrial profit on the transfer of the uranium ores to the United States and Great Britain would equitably compensate the owner for this loss.

3. The Belgian Government wishes to emphasize that when the 1944 agreements were concluded, the problem of the export duties and that of the surtax on uranium ores were specifically reserved for settlement at the end of the hostilities—exclusively for military security reasons.

As pointed out in the Memorandum—the price was calculated on the basis of production costs augmented by what was considered by the purchasers a fair profit. Thus, no account was taken of the fiscal necessities.

It is on this profit—*considered fair by the purchasers themselves*—that a retroactive taxation was established, the rate of which was fixed at 60 frs per kilo by Decree of June 9, 1947 and carried to 85 frs per kilo from May 1, 1948 on.

It is to be noted that at the time of the 1944 Agreements substantial surtaxes were levied by the Colony, besides the *usual* export duties, on other raw materials as for instance 7.500 frs per ton of tin, 3.500 frs per ton of cadmium, 5.400 frs per ton of tantale *ore*, 4.000.000 frs per ton of gold. This surtax was due only on the *difference* between costs of production plus a fair profit and the sale price actually obtained.

It would therefore have been logical to fix the sale price of uranium on the basis of the costs of production augmented by a fair profit, plus a surtax similar to that levied on other exported goods. The question of the surtax to be levied on uranium was left in abeyance in 1944 in order to conceal the importance of this strategical material.

4. Successive readjustments of the ore price were justified by purely economical factors and not caused by any taxation by the Colony.

5. From the aforementioned it results that if the Colony levies at present about frs 100 per kilo of uranium ore, this amount does not represent an increase (as advanced by the Memorandum) in the price *supported by the taxpayers of the purchasing countries*, but a loss of legitimate profit *suffered by the Union Minière shareholders.*

6. From the calculations of the Union Minière—and without prejudice of their accuracy—it appears that purchasers pay at present, for the Colorado ores, between 2 and 2.50 dollars more per lb of oxide contents than for the Congo ores.

Even increased by an additional 200 frs surtax per kilo, the price of Congo ore would thus be inferior to the price paid for American ores. Although the Congo ore cannot be materially estimated as a potential source of energy, its worth is well established and unquestionably greater than that of the Colorado ores. It is the sense of the Belgian Government that the costs of ores from other sources can be validly taken into account when a fair price for the Congo ore is being determined.

IV.

The Memorandum considers an increase of $2 million annually on the basis of 40 cents per lb. It is the hope of the Belgian Government that the United Kingdom and the United States Governments will find ground, in the above exposé, for a more substantial increase of the surtax.

V.

Whatever the amount that will be agreed upon by the three Governments, the Belgian Government must make it clear that, in any public

release, the increase be given the character of a profit by the Belgian Congo, it being understood that part of the resources drawn by the Colony from its uranium exports will be earmarked for the financing of the atomic program to be carried out in Belgium.

The Belgian Government agrees that all publications on the matter be made only after consultation between the parties concerned in such a way as to avoid any possible disclosures inconsistent with security requirements.

VI.

The Belgian Government has noted with sincere appreciation the readiness of the United States and United Kingdom Governments to promote talks between experts with a view to provide technical assistance to Belgium for the implementation of her atomic research program.

[WASHINGTON,] June 1st, 1951.

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Atomic Energy Files, Lot 57 D 688

*Minutes of the Meeting of Anglo-American-Belgian Representatives at the Department of State, June 11, 1951*

TOP SECRET

Those present for the Belgians were:
Governor-General Pierre Ryckmans
Ambassador Silvercruys
Mr. Etienne Harford

Present for the British were:
Sir Christopher Steel
Mr. F. W. Marten
Mr. P. J. Eaton

Present for the Americans were:
*State Department:*
Assistant Secretary George Perkins
Mr. R. Gordon Arneson
Mr. David H. McKillop
*Department of Defense:*
Colonel William Kieffer
*Atomic Energy Commission:*
Chairman Gordon Dean
Commissioner Sumner Pike
Mr. John Hall

Mr. Perkins opened the meeting by stating that the American and British representatives had read with interest the Belgian memoran-

dum of June 1st and wished to take the present opportunity to ask the Belgians certain questions that had occurred to them as a result of this reading.

Mr. Perkins first asked for a clarification of the meaning of Section 1 of the Memorandum regarding consideration of the Congo aspects of the problem.

Governor Ryckmans stated that the Joint Communiqué[1] in the present form failed to mention Congo interests and that it was good that this question of the Congo should be brought up now, even if late, for otherwise he felt that criticism would be aimed at the originally proposed settlement as a bad example of colonialism. He said that it was his responsibility to assure that Congo interests were safeguarded and stated that any additional tax revenue would be paid into the Congo and not into the Belgian Treasury since uranium is a Congo asset. The Congo Government, however, would be justified in making some of these funds available to the Belgian Government to support atomic research in Belgium, as such research would increase the value of uranium and hence would be in the interest of the Congo as well as Belgium.

Sir Christopher Steel stated that research in Belgium seemed really just to benefit Belgium and he did not see how it aided the Congo. He pointed out that on Governor Ryckmans' reasoning, it could also be stated that atomic energy research and development in the United States and the United Kingdom were also a benefit to the Congo, as it increased the value of uranium.

Mr. Perkins then inquired where the present tax revenue derived from uranium was being spent. Governor Ryckmans replied that it was all spent in the Congo and none in Belgium.

Sir Christopher inquired what would be done if the increased revenue were greater than the financial requirements of the Belgian atomic energy program.

Governor Ryckmans replied that the Congo Government could absorb any surplus, since actually its budget was still much too small in comparison to the tremendous needs of so large a country and the expenditures involved.

Mr. Perkins inquired whether by paying an increased tax we committed ourselves to the support of a Congo development program.

Governor Ryckmans replied in the negative and stated that uranium should share the common tax fate of other Congo raw materials and hence we would just be complying with normal Congo tax procedures.

Mr. Perkins asked what was the object of quoting the figures in paragraph 4 of section 2 of the Memorandum since the tax on uranium in terms of francs was already greater than any of the tax figures quoted for other Congo commodities.

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[1] The draft communiqué is not printed.

Governor Ryckmans replied that the tax should reflect the intrinsic value of uranium, and therefore the tax on uranium should be greater proportionately than any of the other commodities.

Sir Christopher Steel commented that uranium actually had no commercial value and at this stage was used entirely for defense purposes.

Governor Ryckmans agreed but stated that all the Western world was benefiting from Congo uranium in bombs, including British and French African colonies, and that since uranium came from the Congo, the Congo should have some specific benefit therefrom, besides that accruing from the greater general security that the atomic weapons provided.

Mr. Perkins asked whether the owner referred to in paragraph 2 of section 3 was the Congo Government or Union Minière.

Governor Ryckmans replied that it was the Congo Government, adding that uranium is a unique asset and one that will be exhausted; therefore, the Congo Government would have to account for the stewardship of uranium to the Congo people and show that special benefits have been obtained therefrom.

Mr. Perkins commented that in mining, prices usually took into consideration depletion of deposits since all mines are exhaustible, and then asked what was meant by fiscal necessities referred to in Section III, paragraph 3.

Governor Ryckmans replied that fiscal necessities involved the tax question, pointing out that no surtaxes had been imposed during the war because of security considerations, but that after the war, a tax had been imposed only on profits; thus the price when first fixed during the war did not include the tax, because there was no tax at that time.

Mr. Eaton commented that according to the uranium contracts, Union Minière should bear all taxation, whereupon Governor Ryckmans commented that this fact indicated the American taxpayer was not bearing this cost.

Sir Christopher Steel rebutted by stating this fact could also be construed as meaning that we were paying such a good price that the Company could afford to pay the tax out of its profits.

Referring to Section V, Mr. Perkins asked whether the Belgians still wished to publish the substance of the Agreement of 1944.

Governor Ryckmans replied that his Government would like to do so but only after a settlement was reached in present negotiations which would clarify the whole subject. At that time they would also wish to publish a Joint Communiqué which would outline the technical assistance the U.S. and the U.K. would furnish the Belgian atomic energy program. Again, however, it was difficult to get this program

under way until such time as a final clarification of relationships among the three countries regarding uranium matters had been achieved. In any case, whatever communiqué was issued would have to indicate that Congo interests were taken care of in the arrangements announced.

Mr. Arneson wondered if the money were given on the basis of contributing to the Congo instead of on the basis of *9a*,[2] whether the AEC could justify a contribution on the former basis.

Governor Ryckmans stated that although he realized that from our point of view we were contributing on the basis of *9a*, it would not be difficult through rather slight revisions in the communiqué to bring Congo interests into consideration as well as *9a*. He did envisage some difficulty with reference to giving out figures because of security considerations.

Chairman Dean commented that he would like to avoid any wording which would involve U.S. agreement to a tax. He felt that appropriations could be obtained from Congress more readily if Congress could be told that the tax had been imposed as a *fait accompli*, with which the United States had no other choice but to comply.

Mr. Perkins stated that he felt the information obtained from the Belgians had been very useful and as a result hoped that at the end of the week Governor Ryckmans, Chairman Dean, and Sir Christopher Steel might get together to discuss the financial aspects of the negotiations. It was agreed that we would get in touch with Governor Ryckmans as soon as the British and American representatives were prepared for this meeting.

DAVID H. MCKILLOP

[2] For text, see footnote 6, p. 701.

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Atomic Energy Files, Lot 57 D 688

*Memorandum of Conversation, by the Chief of the Office of Special Projects, United States Atomic Energy Commission (Hall)*[1]

TOP SECRET [WASHINGTON,] June 20, 1951.

Subject: Conversations with Pierre Ryckmans, Commissioner for Atomic Energy in Belgium

Participants: Pierre Ryckmans, Gordon Dean, C. E. Steel, John A. Hall

On Friday morning, June 15, 1951, at 10:30 Mr. Pierre Ryckmans came to Mr. Dean's office to hold an informal meeting with Mr. Dean and Mr. Steel, First Minister of the British Embassy, in order to

[1] The source text was transmitted by Hall to Arneson on June 20.

attempt final agreement on the question of the Belgium tax on uranium.

Mr. Dean stated that he appreciated Mr. Ryckmans' concern for safeguarding the interests of the Belgian Congo and the Belgian people, and, particularly, the political problem which existed on this subject in Belgium. Mr. Dean said that the United States also had a persistent problem of its own, namely, to justify constantly before Congress the expenditure of the peoples' money. Uranium was not a normal commodity and, in point of fact, it was the crucial ingredient for the U.S. atomic energy program which has as its basic objective the development of atomic weapons which now and in the future will be the primary bulwark for the defense of the western democracies. Thus, in discussing a tax on Congo uranium, it was important to bear in mind the present future contribution of the United States tax payers towards the millions, and, in fact, billions, spent to produce this weapon.

Mr. Steel stated that his government shared the views expressed by Mr. Dean and while, undoubtedly, the United States would bear the greater share of the costs on this material, because the major portion of the material would come to the U.S., the United Kingdom also, in this period of austerity, had a continuing problem to justify before Parliament the expenditure of money.

Mr. Ryckmans said that he appreciated our problem but he felt that the welfare of the Belgian Congo should not be forgotten.

Mr. Dean then stated that it was his hope that at this meeting a final figure could be considered and that, from the standpoint of the Commission the final figure was $12 million, calculated on the basis of an increase in the existing tax which would provide additional revenue to Belgium of $12 million.

Mr. Ryckmans then asked what this meant in terms of cents per pound and it was identified that the present tax was 101 francs per kilo, which is $0.91 per pound. On the basis of an assumed production of 10,000 tons through the life of the contract, namely, February 1956, $12 million would mean an increase in francs from 101 to 167 or $0.91 to $1.51 per pound.

Mr. Dean emphasized that if more uranium were produced, the revenue would go up accordingly and if production decreased, the revenue then would decrease proportionately.

Mr. Ryckmans then raised several questions. Firstly, if the United Kingdom and the United States made a decision to utilize Congo material for commercial purposes, would the Belgian government be bound not to use this material for commercial purposes until the United States and the United Kingdom agreed?

Mr. Dean stated that he was sure the United Kingdom and the United States, after consultation with the Belgians, would certainly

agree to a liberal interpretation of the existing article 9*b* of the international arrangement.[2] Mr. Dean said that in any event such a decision was some time off and probably would come after termination of the present contract.

Mr. Steel said that he would be happy to refer this question to London, however, he was sure that the British government shared Mr. Dean's views on this point.

Mr. Ryckmans then asked what was the status of the proposed amendment to the Atomic Energy Act.

Mr. Dean stated that it was still under discussion in the Executive Departments but it was still the desire and objective of the Commission to develop an amendment which would provide a more flexible position for the Commission in matters such as our relationship with Belgium.

Mr. Ryckmans then asked if the Atomic Energy Act applied equally to the United Kingdom and Belgium.

Mr. Dean stated that it did in an important sense. The present cooperation with the United Kingdom and Canada stemmed from the war-time partnership which developed a common body of classified information relating principally to the joint effort in the development of the weapon. A limited cooperation is presently in effect now with the United Kingdom and Canada. This cooperation is related in part to the common knowledge developed during the war-time experience, however, it does not include the highly classified information relating to the production of fissionable material and weapon research and development. Thus, in the sense referred to above, the Atomic Energy Act quite definitely applies equally to the United Kingdom and Belgium.

Mr. Ryckmans then asked if in a happier, more peaceful day when the necessity for atomic weapons was no longer so great, could Belgium discuss the possibility of procuring fissionable material from the United States.

Mr. Dean stated that he appreciated the question and while he could make no commitment on this point because a peaceful period appeared to be for many years hence, he was sure that the United Kingdom and the United States would be willing to discuss this problem at that time.

Mr. Ryckmans said that he would report to his government and felt that the offer of $12 million would provide a basis for concluding this subject. Mr. Dean suggested and Mr. Steel concurred that when Mr. Ryckmans received the approval of his government that he be in touch with Mr. Hall in order that a drafting committee could re-examine the

[2] Section 9(*b*) of the Memorandum of Agreement of September 26, 1944, reads as follows: "The Belgian Government undertake that, in the event of their contemplating the use of such ores as a source of energy, they will so use them only after consultation and in agreement with the Governments of the United States of America and of the United Kingdom." For full text of the agreement, see *Foreign Relations*, 1944, vol. II, pp. 1029–1030.

proposed joint communiqué on this subject which could be presented at a concluding formal meeting at a later date.

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Atomic Energy Files, Lot 57 D 688 : Telegram

*The Ambassador in Belgium (Murphy) to the Secretary of State*

TOP SECRET BRUSSELS, June 29, 1951—3 p. m.

PRIORITY

2073. For Arneson. Further urtel 1715. Van Zeeland asked me to call on him right after weekly Cabinet meeting today and said that he wanted me to know that an agreement had been arrived at on the uranium question, as result of the Washington conversations subject to "few details" yet to be worked out by Ryckmans. He said that while the agreement probably was not all that could be wished, it was satisfactory and I have the impression from his manner that he personally is pleased and satisfied. He confirmed that he was referring to the increase of 60 cents per pound on the 91 cent export tax or total of $1.51 with yield of approximately an additional $12 million.

On the question of the text of the communiqué his idea seems to be an agreed text which he could use in part or entirety depending on circumstances. He feels confident that between now and the adjournment of the Belgian Parliament on July 16 the question will not be raised. After reconvening next fall he wld select the moment when part or all of the text could be best used. It is obvious from his remarks that he is under no immediate pressure at the moment. Nothing would be published for the present.

Under the circumstances obviously it seemed best not to raise any question about eventual renewal of the agreement which expires in 1956 and I presume that is your position.

From our point of view this would represent a happy solution of problem.

MURPHY

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Atomic Energy Files, Lot 57 D 688

*Paper Prepared in the Office of the Special Assistant to the Secretary of State (Arneson)*[1]

TOP SECRET

SUMMARY RE STATUS OF EFFORTS TO IMPROVE SECURITY OF THE BELGIAN CONGO

I. EVALUATIONS AND RECOMMENDATIONS

Evolving from the study initiated late last summer by the Department of Defense, two sets of evaluations and recommendations re-

[1] Copies of this paper were transmitted to Ambassador Murphy in Brussels, to the Department of Defense, and to the United States Atomic Energy Commission.

garding the security of the Congo have been formulated, one by our Joint Chiefs of Staff and the other by the Belgo-American Commission on Congo Defense.

A. *U.S. Joint Chiefs Report*

The Joint Chiefs of Staff based their study on pertinent material submitted by our Embassy over the last two years and on the reports of General Handy and of the Belgo-American Commission. These reports, in turn, took into consideration the observations of the members of a joint Belgo-American survey team that was in the Congo studying defense problems during the late fall and early winter.

1) *Evaluations*

*a*) Inference that enemy attack on the Congo from land or sea is not regarded as a serious probability;

*b*) Specific conclusion that an air attack on the area, while not impossible, does not appear to be a dangerous threat owing to the distances involved. Some risk of such an attack would have to be accepted since the construction and maintenance of a defense system capable of thwarting an air attack does not appear feasible;

*c*) Greatest danger lies in a large-scale uprising of the natives of the area, or dissatisfaction among the natives employed at the mines to the extent that uranium production would be seriously disrupted;

*d*) Possibility exists of Western Europe being overrun by the Soviets and a collaborationist Belgian Government being established which would attempt to cut off the United States from Congo uranium. Study is being made of necessity under such circumstances of seizing critical areas in the Congo by force.

2) *Recommendations*

*a*) The Belgian Government should be requested to increase the defensive capabilities of the mining area against internal disorders and external attacks by providing additional troops and strengthening intelligence forces.

*b*) The Belgian Government, and any other appropriate governments the State Department felt were involved, should be urged to take all steps necessary to ensure that at least one of the routes for shipping ore from the mining area to a port is available at all times.

*c*) The Belgian Government should be requested to initiate immediate measures to maintain high morale among the Congo natives and to counteract Communist activities in the area.

*d*) The Director of CIA, as soon as practicable, should initiate plans and preparations for covert counter-sabotage to improve the military security of the Belgian Congo and particularly that of the Shinkolobwe Mine.

B. *Belgo-American Commission Report*

1) *Evaluations*

*a*) Unanimous agreement that from a general strategic point of view, the Shinkolobwe Mine is of capital importance to the free world, and that it is the responsibility of Belgium and its colony to take all necessary measures for its security.

*b*) That, insofar as internal danger is concerned, the Congo Force Publique in its present state is able to cope with such danger.

*c*) With reference to aerial, airborne and naval attack, the Force Publique in its present state is not able to meet such attacks.

2) *Recommendations*

In view of the capital importance of the Shinkolobwe Mine for the free world, the Belgian Government should be asked:

*a*) To request the responsible inter-allied strategic bodies (NATO) to give an appreciation of the probabilities of enemy attack.

*b*) To take the following immediate steps:

1) Reinforce the security dispositions in the Katanga;
2) Establish an adequate military airfield at Jadotville;
3) Procure personnel, armament and matériel necessary for placing Congo defense forces in a posture conforming to the proposals of the Committee of Experts;
4) Establish a liaison mission of Belgian metropolitan forces near the Governor-General, while awaiting the creation of a unified command;
5) Undertake concrete and detailed study of the anti-aircraft defense of the Katanga and the defense of the Lower River (Congo).

*c*) Take in future such other measures as may be necessary in consequence of the reply resulting from *a*) above and the further work of the Commission.

## II. ACTION TAKEN

A. *United States*

1. Our Brussels Embassy was requested to approach the Belgian Foreign Minister on the basis of recommendations *a*) through *c*) of the Joint Chiefs to determine what action the Belgians had taken or might be planning to take which would meet these recommendations. In connection with *c*), it was agreed that the Belgians are already taking measures to maintain high native morale and anything said to them on this score should be in recognition of this fact and its value as a means of combatting Communism in the Congo.

2. We have informed the Belgians:

*a*) We regard the Belgian-proposed appraisal by NATO of threats to the security of the Congo as inadvisable;

*b*) The Defense Department considers that an air attack, while possible, is not a serious threat and, therefore, the construction at Jadotville of an airfield is not a required measure at this time, al-

though Defense views any improvements of airfield facilities in the Congo as desirable;

*c*) The Defense Department is willing to consider extending a reasonable amount of aid beyond what the Belgians can provide in order to augment Congo defenses, but such assistance would be outside MDAP.

3. A revised list of Belgian equipment requirements for the defense of the Congo was screened by the American Military Assistance Advisory Group (MAAG) in Brussels, in the light of the Handy and Belgo-American Commission Reports, the Defense Department recommendations, equipment on hand in Belgium and in the Congo, and Belgian capabilities to supply appropriate and adequate equipment, and has been submitted via the Joint American Military Advisory Group (JAMAG) to the Joint Chiefs of Staff for consideration. JAMAG has been informed that the Joint Chiefs have agreed in principle to the provision of modest assistance to Belgium to increase the security of the Belgian Congo in recommendations on this matter in accordance with the procedure just outlined.

4. Steps are being taken to station a controlled American source in the Congo to meet recommendation *d*) of the Defense report.

B. *Belgium*

1. The Ministry of Colonies is studying the question of increasing civilian and military intelligence forces.

2. A new battalion of native troops has been created to guard the hydro-electric plant and Shinkolobwe mine, and the sending of additional European troops to the Congo is under consideration.

3. An anti-aircraft study for the Congo is being made.

4. The Chief of the General Staff of the Belgian Navy is studying the defense of the Lower River (Congo) in consultation with the French and the Portuguese.

5. The National Defense Ministry has agreed to station an additional transport squadron in the Congo.

6. The Kamina Airbase construction is progressing satisfactorily.

7. The question of a unified command is under study.

[WASHINGTON,] July 6, 1951.

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Atomic Energy Files, Lot 57 D 688

*Agreement Between the United States, the United Kingdom, and Belgium*

TOP SECRET [WASHINGTON,] July 13, 1951.

MEMORANDUM OF UNDERSTANDING

It is the understanding of the Governments of Belgium, the United Kingdom, and the United States of America, that

1. The attached Joint Communiqué sets forth the understandings reached by the three Governments as a result of negotiations on the Memorandum of Agreement of September 26, 1944. The Communiqué will be published simultaneously, in whole or in part as agreed, and on an agreed date, if and when the Belgian Government finds it advisable.

2. The method of bringing about the increase in revenue described in paragraph 3 of the attached Joint Communiqué will be an increase on the special tax on uranium ore exported from the Belgian Congo of $0.60 per pound, commencing with the coming into effect of Part C, Tab 2 (Rev).

3. The final paragraph of the Annex to the Joint Communiqué is to be interpreted in the sense that when the three Governments are agreed that the United States and United Kingdom Governments have decided to employ uranium ores for commercial purposes, the Belgian Government will have an equal right to utilize uranium ores for the same purposes.

In connection with the foregoing understandings, the Belgian Government pointed out the fact that it retains the right to make further tax adjustments on the seller. The United States and United Kingdom Governments recalled that under existing contractual provisions all taxes, including export taxes, are to the account of the seller. Accordingly the United States and United Kingdom Governments undertake to amend the existing contractual arrangements with the seller so that the special tax of $0.60 per pound will be borne by the buyers.

GOVERNOR-GENERAL PIERRE RYCKMANS
*Belgian Commissioner for Atomic Energy*

SIR OLIVER FRANKS
*British Ambassador*

GORDON DEAN
*Chairman, United States Atomic Energy Commission*

[Annex]

*Joint Communiqué and Annex re American, Belgian, and British Understandings in the Atomic Energy Field*

TOP SECRET

1. Understandings have been reached among Belgium, the United Kingdom and the United States as the result of talks the three countries have had from time to time to review arrangements governing the sale of Congo uranium ores to the United Kingdom and the United States. These arrangements, which sprang from wartime necessity as a military measure, are incorporated in a Memorandum of Agreement dated September 26, 1944, and expiring [*sic*] [1] early in

[1] A handwritten "[sic]" was inserted following the word "expiring" in the source text.

1956. The substance of the Memorandum is attached. Through these arrangements, Belgium and the Belgian Congo have made an important contribution to the common defense of the democratic nations.

2. In the talks, the three Governments discussed methods of implementing the Anglo-American undertakings to Belgium included in the 1944 arrangements regarding eventual utilization of Congo ores as a source of energy for commercial power. The American and British representatives stated that the commercial use of atomic energy was still some appreciable distance away. It was decided, however, that Belgium and the Belgian Congo should take those steps best calculated to prepare them to make use of the advantages which it is envisaged will stem from the Anglo-American undertakings. To this end and in accord with the spirit of their obligations, the American and British Governments have agreed to furnish financial and technical assistance in support of a Belgian atomic energy program as outlined in paragraphs three and four respectively.

3. Uranium is a Belgian Congo resource, and substantial sums have accrued to the Belgian Congo Government through the medium of the duty and surcharge on the export of uranium ores. In addition thereto, and taking into account the special position accorded Belgium by the 1944 arrangements, the Governments of the United Kingdom and of the United States recognize that there should be a considerable increase in revenue accruing to the Belgian Congo from uranium to support a Belgian atomic energy research program which will enhance the value of this Congo asset. Accordingly, besides duties levied in accordance with existing legislation and in consideration of the circumstances mentioned in paragraph 2, a supplementary amount, which, if deliveries continue at the anticipated rate during the remainder of the agreement, would produce about $2,500,000.00 per annum, will be paid during this period to the Belgian Congo.

4. As regards technical assistance, it has been decided that the most valuable contribution the United States and the United Kingdom can make for the time being would be assistance directed toward the prompt development of a well-trained corps of Belgian scientists and engineers in the field of atomic energy. To this end, the American and British Governments have agreed to :—

(*a*) Assist selected Belgian students to find facilities for advanced study and research in unclassified fields in American and British universities;

(*b*) Facilitate Belgian access to American and British declassified material and facilities, including visits to unclassified work being carried out under the auspices of the United States Atomic Energy Commission and the British Ministry of Supply;

(*c*) Furnish Belgium certain declassified technology, equipment and materials needed for its atomic energy research program, which program might include a research reactor;

(*d*) Arrange for close Belgian participation as agreed upon from time to time in the mutual exchange of technical information on the exploration, location, mining, processing and extraction of radioactive ores;

(*e*) Give advance notice to Belgium concerning the distribution as between the United States and the United Kingdom to be made of any shipments from the Belgian Congo of such ores.

5. In order to facilitate the carrying out of these measures, the Belgian Government has added to its Embassy staffs in Washington and London liaison officers with appropriate background and training in these scientific fields. These officers maintain liaison between the official organization in Belgium responsible for the direction of atomic energy activities and the United States Atomic Energy Commission and the British Ministry of Supply.

6. The assistance outlined above is regarded as an initial step toward closer cooperation among the three governments in keeping with the spirit of the 1944 arrangements; it is agreed that further talks will be held from time to time with a view toward devising means whereby a closer association may be brought about as soon as future developments warrant.

[WASHINGTON,] July 13, 1951.

[Subannex]

*Substance of Memorandum of Agreement of September 26, 1944* [2]

TOP SECRET

The Belgian Government agreed with the Governments of the United States and the United Kingdom as to the desirability during the war against Germany and Japan, as well as in the future, that all uranium ores wherever located should be subject to effective control for the protection of civilization. To this end, the Government of Belgium undertook to insure effective control of such ores located in all territory subject to the authority of Belgium.

The Belgian Government also agreed that Congo uranium ores should be made available to the United States and the United Kingdom through commercial contracts. The Belgian Government further undertook to use its best endeavors to supply such quantities of uranium ores as might be required by the Governments of the United States and the United Kingdom.

To aid in the reopening and development of the Congo uranium properties, the Governments of the United States and the United Kingdom undertook to facilitate the delivery to the producing company (the Union Minière du Haut Katanga) of such materials and equipment as the parties to the contracts thought necessary.

[2] For text of the agreement, see *Foreign Relations*, 1944, vol. II, pp. 1029–1030.

The arrangements outlined above were arrived at on the understanding that Belgium would reserve for herself such reasonable quantities of uranium ores as might be required for her own scientific and industrial purposes. The Belgian Government, however, in deciding to utilize such ores as a source of energy for commercial power, would do so in consultation and in agreement with the Governments of the United States and of the United Kingdom. The latter, on their part, agreed that the Belgian Government should participate on equitable terms in the utilization of these ores as a source of energy for commercial power at such time as the two Governments should decide to employ the ores for this purpose.

[WASHINGTON,] July 13, 1951.

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G/PM Files, Lot 68 D 349

*Memorandum by the Executive Secretary of the National Security Council (Lay)*

SECRET WASHINGTON, July 19, 1951.

Memorandum for: The Secretary of State
The Secretary of Defense
The Chairman, Atomic Energy Commission

Subject: Cooperation With The United Kingdom and Canada on Atomic Energy Matters

References:
A. Memo for Addressees from Executive Secretary, NSC, subject: "Effect of the Atomic Energy Act of 1946 on Scientific Intelligence Operations", dated June 14, 1951 [1]
B. Memo for Addressees from Executive Secretary, NSC, subject: "Cooperation With The United Kingdom and Canada on Atomic Energy Matters", dated May 21, 1951 [2]
C. Memo for Addressees from Executive Secretary, NSC, subject: "Effect of the Atomic Energy Act of 1946 on Scientific Intelligence Operations", dated March 29, 1951 [1]
D. Memo for Addressees from Executive Secretary, NSC, subject: "Exchange of Atomic Energy Information", dated April 18, 1951 [1]

The attached memorandum by the Chairman, Atomic Energy Commission, on the subject is submitted herewith for your consideration as members of the Special Committee of the National Security Council on Atomic Energy.

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[1] Not printed.
[2] *Ante*, p. 721.

A meeting of the Special Committee to consider this subject will be arranged at an early date.

JAMES S. LAY, JR.

[Annex]

*Memorandum by the Chairman of the Atomic Energy Commission (Dean) to the Executive Secretary of the National Security Council (Lay)*

SECRET WASHINGTON, July 19, 1951.

It is the Commission's view that in respect to the authority of the Commission to make restricted data available to other nations, the Atomic Energy Act is ambiguous. Applying the Act in this field has become increasingly difficult in the light of atomic energy developments in other countries since the passage of the Act about five years ago.

The Commission is of the belief that a relationship among the United States, the United Kingdom, and Canada, and possibly other nations, involving technical assistance and exchange of information along certain lines and an allocation of raw materials similar to that now in effect, is essential if the atomic energy program of the United States is to contribute its maximum to the common defense and security of this nation. The Commission believes that because of the vital importance of this matter to the American people, its actions in this field should be based on an affirmative and unequivocal legislative expression.

Such legislation should vest the authority in the President for undertaking to determine the cases in which cooperation with other nations will promote the security of the United States. In this manner the President may obtain the views of all interested agencies of the Government on proposed cooperative actions with other nations and thus assure an Executive Branch position that specific cooperative actions will, in fact, promote the security interests of this country.

Examples of the kinds of future cooperative action which the Commission believes might well promote the security interests of the United States follow:

[Here follow points A, Canadian Reactor Program; B, Canadian Uranium Purification; C, U.K. Reactor Program; D, Research; and E, Intelligence Cooperation.]

F. *Security*

The United States, the United Kingdom, and Canada have a common concern to withhold from the Soviet Union and its satellites information and ideas which might aid the atomic energy program of the USSR. At the end of the war it was possible to define certain

bodies of classified information held by all three nations, or by pairs of them, and to set up procedures for insuring that none of the information held in common should be made public except by joint consent. This approach was also made on the control of the export of material and devices which might be specifically useful to the atomic energy program of the USSR.

There now appears to be a substantial and growing danger that any one of the three nations, out of ignorance of the common interest, may allow the publication of information which one of them has good reason to withhold.

[Here follows additional discussion on the subject of security.]

Another example relates to the control over the export of certain materials and devices, which also faces a growing practical difficulty of the same type. The Commission considers that it is essential to inform the United Kingdom and Canada from time to time, and within essential limits, of the nature of particular programs and projects concerning which premature publication on the part of another country would jeopardize the security of the Commission's program objectives.

In conclusion, it is the view of the Commission that legislation to amend Section 10 of the Atomic Energy Act along the following lines should be requested of the Congress as soon as feasible:

Delete Section 10 (*a*) (1) and substitute the following:

"That any arrangement which involves the communication of restricted data to any other nation, shall not be placed in effect until after the Joint Committee on Atomic Energy has been informed and the President has determined that the arrangement will promote the security of the United States."

GORDON DEAN

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Atomic Energy Files, Lot 57 D 688

*Memorandum of Conversation, by the Special Assistant to the Secretary of State (Arneson)*

TOP SECRET [WASHINGTON,] August 2, 1951.

Subject: Request for a Meeting of the Combined Policy Committee

Participants: *United States*
Secretary Acheson
Deputy Under Secretary Matthews [1]
Mr. Arneson, S/AE
*United Kingdom*
Ambassador Franks [2]

The U.K. Ambassador came in to see the Secretary at the former's request. He said that he had had formal instructions from his Gov-

[1] H. Freeman Matthews.
[2] Sir Oliver Franks.

ernment to ask for a meeting of the Combined Policy Committee, the purpose of which would be to set forth a British request to use U.S. testing facilities for the first U.K. bomb to be tested in the fall of 1952.

The British Ambassador explained that this matter had been the subject of extended discussions through military channels. The request for a CPC meeting was not to be construed as evidence of dissatisfaction with the way those talks were going, but merely as a way of expediting a final answer. The real difficulty the British faced was that they needed to know one way or another what our view was in order that British planning could be firmed up. If the United States found it not possible to accede to the United Kingdom request it would perforce be necessary to begin almost immediately the necessary preparations for use of the Australian range. The British Government hoped, therefore, that a definitive answer could be forthcoming by the end of August.

The proposed test would involve a shallow-water burst, an employment of atomic weapons of great interest to the British military both from a defensive and offensive point of view. He explained that the matter had originally been the subject of discussions between Lord Tedder [3] and General Bradley [4] some months ago when the conclusion was reached that it would not be possible to work the matter out except in the context of a broad partnership in which an amendment of the Atomic Energy Act would be obtained. More recent discussions had seemingly narrowed the problem so that both General Bradley and Mr. LeBaron had expressed the view to Sir William Elliot [5] and to Lord Portal that it might be possible to so define the scope of the project as to make it possible to carry it out without amendment of the Act. The Ambassador went on that in the British view it was both a matter of common sense and of saving expense to use our test facilities rather than go about the construction of an entirely new one in Australia. He pointed out that the British Government was under some pressure both for political and military reasons to get on as promptly as possible with the testing of their first bomb.

Reading from a note which had been written to him by Sir William Elliot, the Ambassador said that it was his understanding that the Joint Chiefs of Staff were apparently in favor of the project and the matter was being referred to Mr. Lovett.[6] He realized that there were two important questions involved in arriving at a favorable reply. The first was whether the proposal would go counter to the provisions of the Atomic Energy Act of 1946. It was his understanding that Mr.

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[3] Marshal of the Royal Air Force the Lord Tedder, former Chief of the British Joint Services Mission in Washington (1950–1951).

[4] General of the Army Omar N. Bradley, Chairman of the Joint Chiefs of Staff.

[5] Chairman of the British Joint Services Mission in Washington.

[6] Robert A. Lovett, Deputy Secretary of Defense.

LeBaron felt that by stressing the military aspects of a weapons testing proposal it might be possible to avoid collision with the Act. The second involved many detailed points of a technical nature which would require some discussion among technicians. For example, it was realized that the timing of a test would be important in relation to the effect it might have on other tests that the Atomic Energy Commission may have scheduled. Also that the type of test might cause difficulties in terms of further use of the facilities for other U.S. tests in the future. Once agreement in principle was reached, it was thought that such technical matters could quite readily be worked out by asking Dr. Penney [7] to come over to discuss with the appropriate AEC and Defense officials these aspects. It was the hope, therefore, that an early meeting of the CPC could be called in order that he might present the proposal in complete detail and obtain agreement in principle, subject to further exploration on a technical level, with a meeting to be called subsequently to register formal agreement on the proposal if this should prove possible.

THE AMBASSADOR said that he would be glad to make available a copy of the current paper on the subject,[8] the one which was now in the possession of General Bradley, if this should be necessary. MR. ARNESON indicated that he might wish to ask the Ambassador for a copy if he found that it was difficult to obtain one from the Pentagon.

SECRETARY ACHESON said that he would have a U.S. position prepared and that we would subsequently be in touch with the Ambassador concerning a meeting.

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[7] Dr. William G. Penney, Chief Superintendent, Armaments Research, British Ministry of Supply.

[8] Reference is to a British paper of July 12 titled "Proposals Relating to the Trial of First British Atomic Weapon in U.S.A." This document, not printed, was transmitted to Arneson on August 6. (Atomic Energy Files, Lot 57 D 688)

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Atomic Energy Files, Lot 57 D 688

*Memorandum for the Files by Mr. J. Bruce Hamilton of the Office of the Special Assistant to the Secretary of State (Arneson)*

SECRET [WASHINGTON,] August 8, 1951.

I accompanied Ambassador Gallman [1] to a meeting in Commissioner Sumner Pike's office, where the Ambassador met with Commissioner Pike, Commissioner Murray, Messrs. Jesse Johnson,[2] Frank McQuiston,[3] John Hall and Al Wells. The purpose of the meeting was

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[1] Waldemar J. Gallman, Ambassador-Designate to the Union of South Africa.

[2] Director of the Division of Raw Materials, United States Atomic Energy Commission.

[3] Deputy Director, Division of Raw Materials, United States Atomic Energy Commission.

to discuss with Ambassador Gallman some of the details of the Atomic Energy Commission's interests in the Union of South Africa. Johnson and McQuiston outlined their negotiations during their recent visits to the Union. Mr. McQuiston stated that a large calcining plant was being erected outside Johannesburg for treating the ores, that the plant will be financed by Agency funds and operated by the Transvaal Chamber of Mines.

Commissioner Pike, evaluating for the Ambassador the probable importance of South African uranium ore, said that when the presently planned program gets into full operation in 1954 or 1955, the Union will probably be producing as much ore as the Belgian Congo, probably more than Canada and undoubtedly more than the U.S. Furthermore, the ore reserves in the Union are very promising and, whereas it is probable that the extent of the Belgian Congo reserves is fairly well known, and probably rather limited, and the extent of the Canadian reserves somewhat of a question mark at this time, the reserves in the Union of South Africa are very promising and appear to be something on which future plans for production can be based. In this connection. he said that the Commission is now seriously considering a substantial expansion (amounting perhaps to two billion dollars) of its uranium production facilities in the United States. This program, if pursued, will be based very largely on the prospects of South African ore production.

In regard to the mine dumps in South Africa, Mr. McQuiston said that they were currently being tested for their uranium content and that indications thus far are good, both as to the uranium content of the dumps and the prospects for treating it to obtain the uranium in a useful form.

Mr. Pike said that he would appreciate it if, when the Ambassador arrived at his new post, he would keep the Commission, through the Department of State, informed of the general attitude in South Africa toward this uranium operation. He said that relations between the Commission and the South African Government as well as with the South African mining companies involved, were excellent, and he would hope to become aware of any trend away from this happy state of affairs early enough to be able to counteract it.

In response to the Ambassador's question, Commissioner Pike said that the Commission does not at this time contemplate having a representative permanently stationed in Africa, but that it seemed likely after the operation was in full swing, that a technician might be stationed there.

The question was raised about the South African desire for some kind of special position in atomic energy matters in recognition of the new status of that country as a uranium supplier. Mr. Hall said that there had been no new developments on this matter since the

delivery to Mr. Donges of a rather lengthy statement on the general subject.[4] The Ambassador had seen and was familiar with this statement. Mr. Pike ventured the opinion that the South Africans themselves were not yet in a position to make a detailed request on this subject.

Ambassador Gallman said that he understood it would be quite possible and proper for him to convey information to the Commission through the medium of informal letters to Mr. Arneson. Mr. Pike assured him that this would be entirely proper and that a similar arrangement in regard to Belgium and other posts was in operation and worked very effectively. He encouraged Ambassador Gallman to take advantage of this arrangement whenever desirable.

J. Bruce Hamilton

[4] Memorandum from Gordon Dean, Chairman of the United States Atomic Energy Commission, to T. E. Donges, South African Minister of Interior, December 11, 1950, is not printed.

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Atomic Energy Files, Lot 57 D 688

*The Assistant Secretary of State for Congressional Relations (McFall) to the Chairman of the Joint Congressional Committee on Atomic Energy (McMahon)*

CONFIDENTIAL Washington, August 13, 1951.

My Dear Senator McMahon: I have received your letter of July 30, 1951 [1] concerning Donald MacLean and Drs. E. H. Burhop and Kathleen Lonsdale.

The Department has no jurisdiction in the fields of espionage or counter-espionage and has only limited information on the questions you raise.

The Central Intelligence Agency, the Department of Justice, and the Atomic Energy Commission, to which you have also addressed inquiries, will be better able than this Department to supply authoritative answers in their respective fields.

The information which the Department has on the questions you ask is stated below in the order of the questions:

1. The Department has no knowledge of MacLean's whereabouts.[2]

[1] Not printed.

[2] On June 7, 1951, British authorities announced the disappearance on May 26 of Donald D. MacLean, Head of the American Department of the Foreign Office; and Guy F. de M. Burgess, Second Secretary, British Embassy in the United States from August 1950, to May 1951. MacLean had served in Washington from 1944 to 1948. For the period January 1947, to August 1948, he was British secretary of the Combined Policy Committee. For information on the Burgess-MacLean case, see British Cmd. 9577, Misc. No. 17 (1955), *Report concerning the disappearance of two former Foreign Office Officials* (London, H.M.S.O., 1955).

The British Government has made no statement, known to the Department, concerning his whereabouts. Foreign Secretary Herbert Morrison stated in the House of Commons on June 11, 1951 that neither MacLean nor Burgess has been dismissed. As of June 1, 1951, Morrison stated, they have been suspended from duty pending the outcome of inquiries into their activities. Morrison indicated that the question of their dismissal will depend on the result of these inquiries.

2. The Department has no information that MacLean was ever involved in espionage during the time he had access to atomic data. An official British source disclosed on June 11, 1951 that the British Government was acting on the assumption that the MacLean–Burgess affair was a case of "premeditated defection." No further information is known to the Department concerning the nature, background, or duration of this alleged defection.

3. The Department has no knowledge of MacLean's connections with other individuals engaged in possible espionage.

4. It is not positively known whether MacLean had classified documents with him at the time of his disappearance. However, we have been informed by the British Embassy that no documents are missing and there is no evidence to indicate that Burgess and MacLean carried documents with them.

5. MacLean's duties involved atomic energy policy matters of concern to his Government which came under the purview of the Combined Policy Committee. In this connection, MacLean had opportunity to have access to information shared by the United States, Canada and the United Kingdom in the fields of patents, declassification matters, and the research and development related to procurement of raw materials from foreign sources. In this capacity he had access to information relating to estimates made in 1948 of uranium ore supply from foreign sources available to the three Governments for the period 1948–49, and the definition of scientific areas in which the three Governments deemed technical cooperation could be accomplished with mutual benefit. These areas in general include such subjects as health and safety, research with low power reactors, extraction chemistry, stable isotopes and radioisotopes.

Since 1946 there has been no exchange of information with the United Kingdom and Canada concerning fissionable material production processes, weapons technology and development, or stockpiles of fissionable materials and weapons.

The role that MacLean had in the activities described above was that of a diplomat. He is not a scientist and his duties in connection with Combined Policy Committee matters were of a procedural and British diplomatic secretarial character. Some of the information available to him in 1947–48 was classified and would then have been of interest to the Soviet Union. Because of great changes that have

taken place in this field in the intervening years, the information available to him then would not now be of any appreciable aid to the Soviet Union. The British inform us that MacLean had no access to atomic energy information after his departure from the United States in August 1948.

6. The Department has no information that Australian-born Dr. E. H. Burhop has lately had direct access to or responsibility for secret atomic research. Dr. Burhop has told the press it is six years since he had any connection with the atomic energy project and that the great bulk of secret information with which he had any contact during the war had, so far as he knew, long since been published. According to a statement issued by his son, Dr. Burhop worked for eighteen months up to 1945 on the atomic energy project in the United States, and has worked only on non-secret research since 1945. Since 1945 he has been on the staff of University College in London, first as reader in Mathematics and later as reader in physics. Although Dr. Burhop has not had any direct contact with government nuclear research for several years, he has been since 1946 secretary of the atomic scientists committee of the Association of Scientific Workers, the official trade union of British researchers. In the latest issue of the *Journal of the Atomic Scientists Association* of which he is a member, he appears as a leading advocate of political action by nuclear research workers.

Burhop is known to have strong pacifist leanings. He has associated himself with the activities of the Communist-dominated British Peace Committee and was recently denied a passport for a trip to Moscow sponsored by the British-Soviet Friendship Association and the Society for Cultural Relations with the Union of Soviet Socialist Republics.[3] It is not known whether Burhop is a member of the British Communist Party. From statements attributed to him it appears that Burhop is one who holds strong conscientious scruples and moral inhibitions concerning the use of the atomic bomb and who believes that scientists are morally obligated to take a public stand on the issue.

Professor Kathleen Lonsdale, Professor of Chemistry and head of the Department of Crystallography at the University of London, is reported to share this view. She stated recently in the *Journal of the Atomic Scientists Association* that "unlike individual civil servants we have no inhibitions preventing us from speaking plainly and publicly about matters of which we have knowledge." The prohibition exercised against Dr. Burhop in regard to travel to the Union of Soviet Socialist Republics was not applied to Professor Lonsdale. She was one of seven British members of a delegation to the Union of Soviet Socialist Republics from the Society of Friends who flew to Moscow on July 14 at the invitation of the Soviet Peace Committee to spend

[3] For documentation on the Soviet peace movement, see volume IV.

two weeks and where they were "educated" by Jacob Malik[4] in the Soviet view of the meaning of "peaceful coexistence." A fellow of the Royal Society, Professor Lonsdale has an established scientific reputation in the field of crystallography. The information on her in the Department does not indicate affiliation with the British Communist Party or evidence that she is a consistent follower of a Communist Party line. However, she has associated herself with Communist-sponsored peace appeals. In March 1950, she was listed as Executive Secretary of the Atomic Scientists' Association, and in September of that year was a delegate to the international conference held at Oxford on atomic energy organized by the Harwell research establishment. According to a British source, Professor Lonsdale is a very sincere Quaker.

Sincerely yours,

For the Secretary of State:
JACK K. MCFALL

[4] Deputy Foreign Minister of the Soviet Union.

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Atomic Energy Files, Lot 57 D 688

*Minutes of the Meeting of the United States Members of the Combined Policy Committee, Washington, August 24, 1951, 2:50 p. m.*

TOP SECRET

Present:

*Members*

Secretary of State, Mr. Acheson
Deputy Secretary of Defense, Mr. Lovett
Chairman of the Atomic Energy Commission, Mr. Dean

*By Invitation:*

H. Freeman Matthews, Deputy Under Secretary of State
Robert LeBaron, Deputy to the Secretary of Defense on Atomic Energy Matters
General N. F. Twining, Vice Chief of Staff, U.S. Air Forces
Brig. Gen. H. B. Loper, Chief, Armed Forces Special Weapons Project
Marion W. Boyer, General Manager, Atomic Energy Commission
Harold L. Price, Acting General Counsel, Atomic Energy Commission
Colonel Kenneth E. Fields, Director, Division of Military Application, Atomic Energy Commission
Dumond Peck Hill, Acting Chief, Office of Special Projects, Atomic Energy Commission.

*Secretary*

Joseph Chase (Acting)

The Committee had before it a tentative draft agenda (see Tab A),[1] listing possible items for inclusion at a full CPC meeting scheduled

[1] Not printed.

for Monday, August 27, with a suggestion by the Secretariat that each item be examined with a view toward determining whether or not it should be included for consideration at the full CPC meeting and if so, what the United States position would be.

Item I, "Formally approve minutes of last two CPC meetings of September 20, 1949 and September 30, 1949",[2] was noted and approved for inclusion on the agenda for the full CPC meeting.

Item II, "Note and approve for inclusion in the minutes a Joint Secretariat paper[3] recording CPC resignations and appointments that have occurred since the meeting of September 20, 1949", was noted and approved for inclusion on the agenda for the full CPC meeting.

Item III, "Note and approve for inclusion in the minutes the interim allocations agreements for 1950 and 1951",[4] was noted and approved for inclusion on the agenda for the full CPC meeting.

Discussion on Item IV, "Proposals Relating to the Trial of the First British Atomic Weapon in U.S.A."[5] was opened by Mr. Acheson. He recalled that on August 2, 1951, Sir Oliver Franks proposed to him that a meeting of the Combined Policy Committee be held to consider a United Kingdom request for the United States to test its first atomic weapon. Sir Oliver had further stated that the United Kingdom desired a definitive answer on this request during the month of August in order that the United Kingdom might proceed with plans to test the weapon in Australia, should the United States reaction be negative.

Subsequently, Sir Oliver had indicated to Mr. Acheson that the United Kingdom request for a shallow water test, although desirable, was not a *sine qua non*. In a letter received from Mr. Lovett, and enclosing a copy of the United Kingdom proposals on the subject, the Department of Defense indicated support for the test on the understanding that no information on United States weapons would be made available to the United Kingdom (see Tab B).[6] A letter had also been received from the Chairman of the Atomic Energy Commission[7] in which the Commission had approved the idea of conducting such a test as being in the national interest. It had also expressed its opinion that it was possible to set up such a test without disclosing highly sensitive United States weapons information but that, as a practical matter, it would appear impossible to conduct a test without

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[2] The minutes under reference are printed in *Foreign Relations*, 1949, vol. I, pp. 529 and 548.

[3] *Post*, p. 767.

[4] Regarding the agreements under reference, see footnote 5, p. 764.

[5] The British paper under reference, July 12, is not printed.

[6] Acting Secretary of Defense Lovett's letter to Secretary of State Acheson, August 18, is not printed.

[7] Chairman Dean's letter to Secretary of State Acheson, August 24, is not printed. A copy is attached to the source text as Tab C.

some disclosure of Restricted Data. The letter also referred to a memorandum of July 19 from the Atomic Energy Commission to the Executive Secretary of the National Security Council,[8] in which the Atomic Energy Commission requested an amendment to the Atomic Energy Act of 1946. Finally, the letter suggested that the problem of the United Kingdom test be discussed with the President as soon as possible with a view toward obtaining enabling legislation at this session of the Congress (see Tab C).

Summing up, Mr. Acheson stated that all present wanted to conduct the test but that the Commission desired enabling legislation in order that the test might be conducted within the law. Mr. Acheson asked Mr. Dean whether the Joint Congressional Committee had been approached on this matter and if so, would the Joint Committee be prepared to approve the test after it had been made clear to them that its conduct would be in the national interest. Would such approval be forthcoming or would the Joint Committee consider that legislation was necessary?

Mr. Dean replied that with the exception of the Chairman of the Joint Committee, he had not approached any other of its members. What would be required would be a complete briefing before a full meeting of the Committee in order to make clear to them that a change in the law was necessary in order to conduct this test and also to do a number of other things, all of which were in the national interest. Mr. Acheson asked whether the Joint Committee might not approve the test on its merits, wholly apart from the general problem of amending the Act. Mr. Dean replied that sounding out the Joint Committee and receiving its assent would not make a given transaction legal if the United Kingdom would receive Restricted Data in the process. Such an approach had been used successfully in the past, particularly for the irradiations in the Canadian pile, but in each case the Committee had been convinced, as was the Commission, that the amount of information that might be acquired would be *de minimis*. The information which would be involved under the United Kingdom test proposal would be weapons information. Weapons information could in no way fall under the heading of *de minimis*. Although Mr. Dean conceded that he did not believe any substantial or very significant information on United States weapons would be revealed, he did not see how 50 United Kingdom technicians could work together with United States technicians without the latter revealing more than they desired.

Mr. Lovett remarked that the Department of Defense conclusions might perhaps be based on an assumption that was not accurate. The three Services of the Department of Defense felt that it might be possible to conduct a test in such a manner that the United States

[8] *Ante*, p. 747.

would be getting information about the United Kingdom weapon without giving any United States weapons *quid pro quo*. This assumption is perhaps not warranted. Moreover, even the United Kingdom has admitted that their security is bad. The Department of Defense would be very reluctant to do anything that would involve disclosure of weapons information to the United Kingdom. He recalled that in the *modus vivendi*, weapons information is specifically excluded from exchange. The possibility of conducting the test with the United Kingdom military staff had an appeal, but if the risks involved took us into the weapons field and weapons systems, he could not go along with it. If, however, it were possible to conduct the test so as to circumscribe the congenial habits of scientists, and to limit the exchange of information to instrumentation and instrument readings, then it might be desirable to go to the Joint Congressional Committee in order to obtain their specific approval. It might even be possible to get clearance only from the two senior men on the Joint Committee, the member from the Senate and the member from the House, provided there was no disclosure of United States weapons information, and that the conduct of the test would come under the *modus vivendi*. It might then be handled as a military test. On the question of enabling legislation, Mr. Lovett foresaw much delay and difficulty. This attitude was based on three considerations, first, Fuchs, Maclean and other United Kingdom defections,[9] second, present Congressional attitude toward Communism and atomic energy, and third, the general Congressional attitude toward any relaxation in security matters.

Mr. LeBaron stated that the Department of Defense had assumed and had told the United Kingdom that there would be no disclosure of United States weapons information in the conduct of the test. He said that Commissioner Glennan[10] was present when he was approached in London by Lord Portal and Dr. Penney and knew that the British wanted to play a minor role in the test. Now it appears that United States weapons information had been interjected into the problem. Mr. Dean remarked that the Commission had considered the matter on the basis of the United Kingdom proposals which they had received only a short time ago. On that basis, it seemed inevitable that the United Kingdom would get some information. Perhaps the United Kingdom was asking for too much in this paper. Mr. LeBaron and Mr. Lovett conceded this point. Mr. Lovett remarked that he had

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[9] On February 3, 1950, Dr. Klaus E. J. Fuchs, Chief of the Theoretical Physics Division of Britain's Harwell atomic energy research laboratories, was arrested for espionage. Fuchs, who had participated in the development of the atomic bomb in the United States during World War II, subsequently admitted passing information to the Soviet Union during and after the war. Another senior scientist at Harwell, Dr. Bruno Pontecorvo, defected to the Soviet Union in October 1950. Regarding the Burgess–MacLean case, see letter by Assistant Secretary of State McFall to Senator McMahon, August 13, *supra*.

[10] T. Keith Glennan, Member of the United States Atomic Energy Commission.

understood that the test would be in effect a one-way street, where we would get information on the United Kingdom weapon and they would get none on ours.

Mr. Dean pointed out that before assuming any responsibility for conducting the test, the Commission would need to know many things about the United Kingdom weapon. Mr. LeBaron stated that he had sent from London some information on some of the points raised. This information was known to Mr. Glennan. For example, the United Kingdom planned to use plutonium and would have only a small quantity of it available at the time of the test. It was on this basis that it was felt that the bomb would not yield more than 30 kilotons. Furthermore, he had understood that only a few men would be sent by the British and that they would be insulated from our scientists. We would set off the United Kingdom bomb and tell them the two things that they had asked for. Mr. Dean pointed out that in the document before him, the British intended to send fifty technicians and six observers. He added that he had discussed the matter with Dr. Oppenheimer.[11] Dr. Oppenheimer had agreed that such a test was desirable, but he added that the curiosity quotient would be tremendous among the United Kingdom and United States scientists and he did not see how one could prevent the disclosure of some weapons information. Furthermore, continued Mr. Dean, weapons effects measurements and weapons measurements involve very significant weapons information.

Mr. Lovett stated that what Mr. Dean had said altered greatly the military concept of what is necessary and required to conduct such a test. He could safely say that if the test involved the disclosure of significant weapons information, then the Joint Chiefs of Staff and the Department of Defense would oppose it because of the security problem. He repeated that he was very concerned about United Kingdom security. He recalled that Lord Portal and Mr. Perrin[12] were leaving the United Kingdom program, not for security reasons alone, but nonetheless, security implications were involved. The basic difficulty at this meeting was that the Department of Defense assumptions were different from those of the Atomic Energy Commission. He was prepared to withdraw the support of the Joint Chiefs of Staff and of Defense, since this support was based on a different set of understandings.

Mr. Dean said that the Atomic Energy Commission had analyzed the test problem and had considered four possible alternatives:

1. A full-scale joint test;
2. A limited cooperative test, as contained in the United Kingdom proposals;

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[11] Dr. J. Robert Oppenheimer, Chairman of the General Advisory Committee of the United States Atomic Energy Commission.

[12] M. W. Perrin, Deputy Controller of Atomic Energy (Technical Policy), British Ministry of Supply.

3. A test conducted solely by the British; and
4. A test conducted solely by the United States.

The Commission's conclusion was that Number 2 was the only logical solution, but since it would require a large number of United Kingdom personnel, and in view of the difficulty in restraining scientists from talking, it would appear that we could not carry it out without enabling legislation.

Mr. Lovett suggested limiting United Kingdom participation to six responsible scientists and permitting them to do what is necessary to test Point (*a*) of their proposals. We would then test Points (*b*) and (*c*) and would give the United Kingdom only the results. Colonel Fields pointed out it is impossible to simply give a "number" result. The British would have to know certain background information and would have to discuss with us the interpretation of measurements in order to get anything meaningful. Mr. LeBaron stated that the United Kingdom merely wished to explode a weapon. The United Kingdom program was in a rather desperate shape. They did not have enough money and had no test range. All they wanted was to be able to say that they had built a bomb, exploded it, and that it had worked. Their only requirements were that they be permitted to check the tower to see that their bomb was on it and to check the firing circuits of the bomb.

Mr. Lovett stated that if Mr. LeBaron was correct, this is primarily a political and morale problem for the United Kingdom. If so, then it might be possible to modify the United Kingdom proposals in such a way that there would be no disclosure of Restricted Data or that the United Kingdom would get information only on what they could learn from their own weapon.

Mr. Lovett suggested that we tell the United Kingdom that we will not be ready to give them an answer by August 31 because, on the basis of the United Kingdom proposals, the Atomic Energy Commission believed that Restricted Data would be exchanged. However, we would be willing to modify the project in such a way as to permit us to conduct the test. If the United Kingdom were interested, we might be able to give them our answer in a couple of weeks.

Mr. Dean said he was ready to do this. Mr. Acheson suggested that we tell the British that we cannot perform the test as set forth in their memorandum and further, that we cannot give an answer in August on what we can do, but that if the British are willing to wait for about two weeks more, we would prepare a modification of their proposals so that a test might be conducted within the law.

Mr. Lovett and Mr. Dean agreed. Mr. Dean added that we must make it clear to the British that there is a considerable amount of

information about the British weapon that we must get before we undertake the responsibility of the test. Mr. Acheson suggested that the full Combined Policy Committee meeting be held on Monday,[13] at which time we would reluctantly refuse the United Kingdom proposals but at the same time would indicate to the United Kingdom that the Atomic Energy Commission and the Department of Defense would be willing to investigate a modification of the United Kingdom proposals. He asked Mr. Dean if we could tell the British that some kind of test was possible. Mr. Dean answered in the affirmative. Mr. Lovett and Mr Dean agreed that their technical experts, General Loper and Colonel Fields, should get together on this problem.

Mr. LeBaron then suggested that perhaps the Military alone could handle the problem without revealing scientific information, and that the test might be made by General Loper and the Armed Forces Special Weapons Project. This proposal was rejected by Mr. Dean, because the real question was not who conducted the test but whether it could be done within the law.

Mr. Acheson summarized that we should have a Combined Policy Committee meeting on Monday, indicate to the United Kingdom that we had studied the problem and that we had been informed by the Atomic Energy Commission that they were unable to agree to the test on the basis of the document submitted by the United Kingdom because it would inevitably involve the disclosure of Restricted Data to the British. However, we felt that perhaps the United Kingdom proposals could be revised in such a way as to make it possible for the Atomic Energy Commission and the Department of Defense to conduct the test within the law. This could be done in about ten days to two weeks. If the United Kingdom were willing to wait, we would proceed with the study. If not, then our answer would be "no".

Mr. Dean then stated that he would like very much to receive the support of the Department of State and the Department of Defense for legislation to amend the Atomic Energy Act in accordance with his memorandum of July 19, 1951 to the Executive Secretary of the National Security Council (Tab D).[14] He felt that such an amendment was essential because the Atomic Energy Commission was handicapped in not being able to initiate certain operations because of restrictions under the existing Act. Mr. Lovett asked whether this amendment would involve weapons information. Mr. Dean replied in the negative, pointing out that the language of the proposed amendment was permissive, although it was true that weapons information was not specifically excluded. He suggested that perhaps the Department of Defense would want to propose an amendment to the Commission's amendment in

[13] August 27.
[14] *Ante*, p. 747.

order to exclude weapons information from any exchange. Mr. Lovett thought that the Department of Defense would like to do this, and recalled that in the *modus vivendi*, weapons information was specifically excluded from the exchange. Mr. LeBaron remarked that it was difficult to separate weapons from non-weapons information.

Mr. Dean argued that what was needed was at least an opportunity for the Departments of State and Defense and the Atomic Energy Commission to agree that certain things were in the national interest and also an opportunity to present their case. Mr. LeBaron remarked that the Department of Defense wants to hold weapons information very closely. Furthermore, weapons information should be defined broadly, and should be strictly controlled by the Military. Mr. Dean did not agree with this view. Reverting to the previous point, he cited as an illustration the case of Dr. Penney, who is a first-class man in this field. Under the existing law, we were not able to use his brains, we did not even have the possibility of discussing in a realistic way whether it would be worth-while to use him. As another example, Mr. Dean stated that Australia had discovered some important deposits of uranium ore and since they are willing to sell it to us, we would like to be able to give them information on how to enrich it. Mr. Lovett asked whether there was a security problem involved in passing such information on to the Australians from whom it might become known to the Soviets. Mr. Dean agreed that there was such a problem, but went on to say that we would have to weigh all factors in determining what we were to do. We would have to decide whether 500 tons of uranium a year coming into the United States was worth more to us than the possibility that a chemical process which we would make available to the Australians might become known to the Soviets. He repeated that he would like to have us in a position to make such determinations and to act upon them without violating the law.

Mr. Lovett then asked whether, if the Atomic Energy Act of 1946 had been in effect in 1942, we would have been able to invite Niels Bohr [15] and others to help us in our program.

Mr. Dean stated that we would not have been able to do this, and Bohr, Fermi,[16] Teller [17] and others would not have been in our project.

Mr. Acheson felt that we could not get an amendment at this time, and certainly could not get one quickly. Mr. Lovett agreed. Mr. Dean stated that he believed an amendment was wise, but that timing was also important. It was his belief that he could get the unanimous approval of the Joint Congressional Committee to such an amendment.

[15] Danish theoretical physicist and pioneer in nuclear physics; adviser, United States atomic energy development program, 1943–1945.

[16] Dr. Enrico Fermi of the University of Chicago; prominent figure in the development of atomic energy; member of the General Advisory Committee of the United States Atomic Energy Commission, 1946–1950.

[17] Dr. Edward Teller of the University of Chicago; physicist associated with the atomic energy development program since 1941.

Mr. Acheson asked whether, if the proposed amendment were put to the Joint Committee, they would insist that in the amendment the word "informed" would be replaced by the words "secure the approval of" the Joint Congressional Committee. If they insisted upon this, would we be in a better position than we were now?

Mr. Dean stated that we would. At least we would then have a forum in which to discuss such matters and to make an exchange legal, if all were agreed on its necessity. He further stated that in his experience, the Joint Committee had been very cooperative once they understood what the real problem was. Mr. LeBaron remarked that the Department of Defense believes that security of weapons information is very important and that even if such an amendment as proposed were approved by the Congress, there would be many difficulties in this problem of exchange of information.

As the meeting adjourned, Mr. Dean remarked that he did not feel it appropriate at this time to raise the subject of a proposed Atomic Energy Commission mission to the United Kingdom, Item V on the Agenda. Mr. Acheson replied that he had assumed that this was the general feeling of all present, and that he, too, did not feel it appropriate to raise this point now. The meeting adjourned at 4 p. m.

Joseph Chase

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Atomic Energy Files, Lot 57 D 688

*Minutes of the Meeting of the Combined Policy Committee at the Department of State, August 27, 1951, 3 p. m.*

TOP SECRET

Present:

*Members:* The Secretary of State (in the Chair)
Mr. Robert LeBaron, as alternate for the Secretary of Defense
The Chairman of the Atomic Energy Commission
The British Minister, Mr. C. E. Steel

*By Invitation:*

*United States*

Mr. H. Freeman Matthews
Mr. Robert A. Lovett
General N. F. Twining
Mr. John A. Hall

*United Kingdom*

Admiral Sir Cyril Douglas-Pennant [1]
Mr. E. E. Tomkins [2]
Mr. A. K. Longair

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[1] Member of the British Joint Services Mission in Washington.
[2] First Secretary, British Embassy.

*Secretariat:*
Joseph Chase (for R. Gordon Arneson)
F. W. Marten
George Ignatieff [3]

I. *Minutes of Meetings of September 20, 1949 and September 30, 1949.*[4]

The Minutes were approved.

II. *Resignations and New Appointments.*

The Committee had before it a paper by the Joint Secretariat on this subject (see Tab A). The Committee accepted and approved the resignations and new appointments described therein.

III. *Interim Allocations for 1950 and 1951.*

The Committee approved the exchange of correspondence between the Chairman and the British Ambassador as a United Kingdom member on the interim ore allocations for 1950 and 1951 for incorporation in the Minutes (see Tab B).[5]

IV. "*Proposals Relating to the Trial of First British Atomic Weapon in U.S.A.*"

Mr. Acheson stated that the American members had studied the United Kingdom proposals at length (Tab C).[6] He regretted to inform the United Kingdom that it was not possible for the United States to accede to these proposals in their present form. Those who would be in technical charge of carrying out the program concluded that in the implementation of the proposals as outlined in the document under discussion, there would inevitably be involved a disclosure of Restricted Data. Such disclosure being contrary to Section 10 of the Atomic Energy Act, the proposals as made could not be carried out. However, the American members had come to the conclusion that it might well be possible to revise the proposals so as not to involve the disclosure of Restricted Data. They felt that the Commission and the Department of Defense should attempt to draw up terms under which a test program could be conducted, provided certain information was made available by the United Kingdom. In ten days to two weeks it would be possible to give the United Kingdom an idea of what could be done.

[3] Counselor, Canadian Embassy.

[4] The minutes under reference are printed in *Foreign Relations*, 1949, vol. I, pp. 529 and 548.

[5] Tab B consists of copies of the following communications on the allocation of uranium ore, none of which is printed: Secretary Acheson to Ambassador Franks, January 26, 1950; Ambassador Franks to Secretary Acheson, March 20, 1950; Secretary Acheson to Ambassador Franks, April 18, 1950; Ambassador Franks to Secretary Acheson, April 25, 1950; Ambassador Franks to Secretary Acheson, June 21, 1950; Secretary Acheson to Ambassador Franks, September 9, 1950; Minister Steel to Secretary Acheson, June 21, 1951; and Secretary Acheson to Ambassador Franks, July 20, 1951. (Atomic Energy Files, Lot 57 D 688)

[6] Tab C, the British paper "Proposals Relating to the Trial of First British Atomic Weapon in U.S.A." of July 12, is not printed.

Mr. Acheson recalled that when Sir Oliver had raised the matter on August 2 he had indicated that the United Kingdom wished to get an answer by the end of the month in order that it might proceed with its plans. Mr. Acheson asked the United Kingdom member whether this was correct.

Mr. Steel stated that he had received no further instructions since those embodied in the United Kingdom proposals submitted to the Department of Defense, except that he could now indicate the United Kingdom would reluctantly be willing to forego the shallow water test at this time in order to have a joint test with the Americans. He remarked, however, that a shallow water test was very important to the United Kingdom from the defense point, in that the United Kingdom believed that its harbors would be primary targets for Soviet atomic weapons. However, this sort of test was not a *sine qua non.* He stated further that he could not say what the answer of his Government might be in advance of seeing what changes would be made in the United Kingdom proposals. He repeated that the time limit of the end of August still stood. It was possible that two weeks might not matter so much, but Mr. Steel was not in a position to give at this time an indication of what the United Kingdom answer would be. It was also true that the United Kingdom would need time to study the United States counter proposals when they were ready. He inquired whether he could be given an indication now of what these counter proposals might be.

Mr. Acheson stated that he would like to know whether the time limit could be slightly deferred.

Mr. Dean stated that the United States proposals were at present under preparation. He remarked that it was very risky under the statute to conduct a joint test program.

Mr. Lovett suggested that we might explore what would be the maximum of information we could give to the United Kingdom and still comply with the law. He thought this could be done in less than a week.

Mr. Dean agreed, stating that the Division of Military Application of the Atomic Energy Commission was working jointly with the members of the Department of Defense on this matter. The second point causing Mr. Dean concern was the dimensions of the test. He pointed out that under the United Kingdom proposals there would be 50 scientists participating on the United Kingdom side and participation on this scale made him fearful because inevitably the United Kingdom and United States scientists would talk together and quite involuntarily atomic energy Restricted Data would be disclosed. He thought that perhaps participation could be scaled downward. He believed that the United States study could be completed in a week.

Mr. Steel remarked that although he could not question the legal advice which indicated that the degree and scope of the activity would be contrary to the law, it did not appear to him that this was a valid legal argument as it was based upon the question of degree. He pointed out that it would not be all the United Kingdom participants who might acquire valuable information, but a few of the top men, such as Penney, who were just the ones whom the United Kingdom would send over even if numbers were restricted.

Mr. Dean remarked that this point was by no means the most important one in the consideration of the Commission.

Mr. Steel hoped that the United Kingdom might be able to hold up its decision for one week. He pointed out that this problem had been under consideration for some time and that the first approach had been made as long ago as April.

Mr. Lovett remarked that if August were a real deadline, then the United States must regretfully refuse. He agreed with the Commission's views on the legal difficulties. He stated that the reason the Department of Defense was now willing to support the principle of the test was that during a visit to London by Mr. LeBaron and Mr. Glennan, the request that was made to them was discussed with the understanding that the United Kingdom proposals would have to be compatible with the United States legal requirements. Involved would be the use of a United States range with the United Kingdom getting the instrument readings. Nevada was considered a possibility, as the test could be done there at less expense and more quickly. The Department of Defense had approved the idea of this more restricted test, provided it could be reduced to simple terms which could be handled within the Atomic Energy Act. The question was not the number of scientists—whether 50 or less—but of how much data would be required and whether it would be possible to provide this within the confines of the Act, and what instrumentation and instrument readings would be divulged. The Commission was anxious to amend the Act in a way which would make fuller collaboration possible, but the Department of Defense has taken the position that its support of the proposed test was contingent upon its being conducted within the present law.

Mr. Steel stated that he would ask his Government whether it would be willing to wait a week while the experts were working out details of a test program the United States might be willing to undertake. He repeated that the underwater burst was very important to the United Kingdom. To forego such a test might be difficult and might have a bearing on the reaction of his Government.

Mr. LeBaron described Dr. Penney as being very competent, and he might find a number of ways of obtaining the results he wanted even from a test in Nevada which did not quite come up to the full

*desiderata* set forth in the proposals of the United Kingdom. He stated, therefore, that arrangements might be worked out without involving Restricted Data. Dr. Penney would perhaps feel that the test would help answer a number of still unresolved questions, and that its main purpose would be to help the United Kingdom proceed with the task during a difficult period. Mr. LeBaron personally felt that the United States could do for the United Kingdom much of what was desired without violating the Act.

Mr. Lovett remarked that Mr. Dean had a very real problem. He pointed out that if we were to set off a British bomb in the United States and then run into some difficulties—for example, if the blast were too big and caused damage—the Commission would be in considerable difficulties.

Mr. Steel stated that there was a 30 kiloton limit on the size of the bomb.

Mr. Dean remarked that he would want to know more than the energy release. He would need a number of facts about the bomb for purely safety reasons.

Mr. Steel remarked that he saw nothing in the proposals of his Government to indicate that the United Kingdom would object to disclosure by it of any pertinent information. He further stated that in any event, the United Kingdom would test a bomb during 1952, not later than the fall.

Mr. Dean remarked that for logistic reasons Eniwetok was impossible, since the United States had no present plans for using Eniwetok during 1952. The Las Vegas site was the only one presently available for such a program at the date indicated.

The meeting adjourned at 3 : 30.

R. Gordon Arneson F. W. Marten George Ignatieff

[Tab A]

*Paper Prepared by the Joint Secretariat of the Combined Policy Committee*

TOP SECRET [Washington,] August 27, 1951.

Statement on Committee Membership by the Joint Secretariat

RESIGNATIONS AND NEW APPOINTMENTS

The Combined Policy Committee is requested to note the following changes in Committee membership which have been agreed to informally since the meeting of September 20, 1949:

*American Side*

The resignation of former Secretary of Defense, Louis Johnson, and the appointment of the present Secretary of Defense, George Marshall, as his successor.

The resignation of former Chairman of the Atomic Energy Commission, David Lilienthal, and the appointment of the present Chairman of the Commission, Gordon Dean, as his successor.

*British Side*

The resignation of Sir Derick Hoyer-Millar, British Minister, and the appointment of Mr. C. E. Steel, British Minister, as his successor.

The Committee is also invited to take note that Robert LeBaron has replaced William Webster as alternate to the Secretary of Defense; that General Sir William Morgan was replaced by Lord Tedder as Military Adviser to the United Kingdom members; and that Lord Tedder has now been replaced by Air Chief Marshal Sir William Elliot.

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Atomic Energy Files, Lot 57 D 688

*Draft Memorandum by the Special Assistant to the Secretary of State (Arneson)*

TOP SECRET [WASHINGTON,] September 10, 1951.

MEMORANDUM FOR THE SECRETARY

Subject: Proposals to Test First British Atomic Weapon at Las Vegas

The status of the British request to us to assist them in testing their first atomic weapons at Las Vegas is as follows:

Following on the CPC meeting of August 27 appropriate staff representatives from the Department of Defense and the Atomic Energy Commission have sought jointly to work up a counter-proposal which would go a long way toward meeting the British request without overstepping the limits of the Atomic Energy Act of 1946. The U.S. counter-proposal (attached)[1] has been approved by the AEC and is now awaiting approval of the Department of Defense. Certain minor changes have been made in the proposal at Mr. LeBaron's request.

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[1] The attachment does not accompany the source text and has not been found in Department of State files. On September 18, Robert A. Lovett, who had succeeded General Marshall as Secretary of Defense on the previous day, and Gordon Dean, Chairman of the United States Atomic Energy Commission, transmitted an agreed counterproposal to Secretary of State Acheson, the Chairman of the Combined Policy Committee. Also on September 18, R. Gordon Arneson, American Secretary of the Combined Policy Committee, transmitted the counterproposal to F. W. Marten, the British Secretary. In each case, the attachment does not accompany the communication of transmittal in the files.

On October 15, Dean transmitted to Arneson and the Department of Defense an amplification of the basic U.S. counterproposal. This understanding had been arrived at through discussions over the previous two weeks between representatives of the Department of Defense, the U.S. Atomic Energy Commission, and the United Kingdom. The U.S. Atomic Energy Commission approved this enlarged version subject to concurrence by State and Defense. The revised draft consisted of the September 18 text with proposed modifications indicated. This six-page understanding, not printed, concerned itself with technical, logistical, and financial considerations, and outlined the areas of participation, obligations, and responsibilities of each party in test operations. (Atomic Energy Files, Lot 57 D 688)

With these changes, which are not substantive, he has approved the proposal but wishes to show it both to the Joint Chiefs of Staff and to Mr. Lovett before giving final concurrence. It is expected that the proposal will be agreed to by both the agencies primarily concerned and sent to me for transmittal to the British before the end of the week.

The U.S. counter-proposals appear to me to be reasonable and should, I feel, prove acceptable to the British. Both the AEC and the Department of Defense have striven to go as far as the law will permit. The services which are being offered to the British should make it possible for them to conduct an adequate first test and obtain all the necessary basic data concerning it.

Should Foreign Minister Herbert Morrison speak to you today about the test proposal [2] you may wish to respond along the following lines:

The United States is very hopeful that it will be possible to work out means whereby the first British atomic weapon can be tested at Las Vegas. Certan counter-proposals have been drawn up and it is expected that these will shortly be submitted to the United Kingdom. The United States hopes very much that the United Kingdom will find the U.S counter-proposals acceptable. For its part the United States will have gone as far as it is possible to do under the Atomic Energy Act of 1946. In other words the U.S. counter-proposals, which it is hoped will be transmitted within the next few days, represents the best offer that the United States is able to make.

R. Gordon Arneson

[2] Morrison was in Washington for meetings of the Foreign Ministers of the United States, the United Kingdom, and France, September 10–14. The memorandum of the Acheson–Morrison conversation on atomic energy questions, September 10 (p. 880), indicates that the subject of the test did not arise. However, the matter of the exchange of information was discussed. For documentation on the Foreign Ministers conference, see vol. III, pp. 1163 ff.

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G/PM Files, Lot 68 D 349

*Informal Statement by the Department of Defense* [1]

SECRET [Washington, undated.]

[Subject:] View on CPC Exchange of Atomic Weapons Data with Great Britain

1. Until the British have developed their atomic energy facilities to a point where their production of fissionable material is sufficient to fabricate a considerable number of atomic weapons, or until there is a better chance that the defense of Western Europe will be effective,

[1] The source text is labeled "draft" and "copy." Two separate handwritten notations appear at the top of the document: "LeBaron–Bradley," and "seen 9/17/51." The paper presumably constitutes an informal expression of the views of General Bradley as prepared by LeBaron and transmitted to Arneson's office on September 17. A similar paper was furnished the United States Atomic Energy Commission on September 14; see letter from the Commission to William C. Foster, Acting Secretary of Defense, November 27, p. 785.

the Department of Defense is opposed to the transfer of any significant information on U.S. atomic weapons to them.

To furnish them any important information earlier would contribute very little to the defense of Western Europe or of the United States, and would increase the risk of such information falling into the hands of the Communists. This should not be taken to mean, however, that the door is entirely closed to discussions in this area.

2. In this background the Department of Defense has been exploring with the Atomic Energy Commission during the past year the problem of reconciling possible plans for comprehensive exchange of scientific and technical information through the western world with the military view expressed above.

The Department of Defense recognizes and accepts the principle that the U.S. with its superb industrial machine has a far greater chance to convert new scientific and technical information into production use than any other country in the world. The concrete issue in the particular exploration with which we were concerned is one of balancing the gains that are forecast from a broad exchange of information against the possible dangers resulting from leakage of information about military aspects of U.S. atomic energy activities.

During the past months these efforts have developed along the following pattern:

*a.* The Joint Chiefs of Staff proposed to the American Members of CPC that the U.S. manufacture atomic weapons for use by Great Britain from British plutonium. When the conditions set forth by the JCS were considered with the Atomic Energy Commission staff, it developed that it was not practical to hold the disclosure of technical information on U.S. atomic weapons to the limited areas on which the Chiefs had based their original recommendation. It became evident that such a proposal would result in a much wider exchange of information than the maximum on which the proposal was originally conceived.

(For a more complete review, see recent MLC memo to JCS)[2]

*b.* The Department of Defense is currently exploring an alternate line of effort; namely, to find some practical method of separating weapons information from scientific and technical information. The thought here is that if this operation is practical, it might then be possible to treat weapons information in one manner and to treat scientific and technical information in a separate manner.

With this thought in mind, we are pursuing the idea of handling all atomic weapons matters (including appropriate information exchange) through existing military channels.

From the military point of view, this is the route that must be followed in wartime and it therefore seems most desirable that it be adopted now when war planning activities are the key to the proper size of an atomic effort. This approach also has the advantage that it holds "sensitive" information within the military where a long estab-

[2] Not identified.

lished system of "security" now operates on all matters of military importance.

The crux of this approach lies in the difficulty of achieving a meeting of the minds (Defense and AEC) on the boundary lines between the two categories of weapons information and scientific and technical information.

3. The Commission is endeavoring to solve this issue by an approach which would initially amend the law to make information exchanges legal subject to the specific approval of the President. Further provision implies that action under the revised law would be permissive and subject to the approval of the Department of Defense and other appropriate groups before any concrete action was taken. Moreover, the AEC proposal would consider each specific situation on its individual merits and would not establish broad charters along the lines that were proposed some two years ago when CPC meetings were held to consider this same subject matter.[3]

4. The Department of Defense feels that any proposal for changes in the Atomic Energy Act at this time should not be made by the Administration. However, if the Joint Committee on Atomic Energy should strongly recommend changes which would permit certain exchanges of information which would be deemed by the President to be in the security interests of the United States and place in the Department of Defense the safeguarding of weapons information, the Department of Defense should support such legislation.

Among the reasons for this view are the following:

*a.* It is considered to be inappropriate for the Department of Defense to raise the matter of changes in the law with a critical Congress at this time.

*b.* Although permissive legislation, permitting the President to deal with each case on its merits, is preferred over broad charter grants, there is still a risk of substantial "leakage."

*c.* "Leakage" of sensitive atomic information is the most damaging single factor in the present determination of U.S. military posture. Our present risks are matters of daily concern, and any action that tends to increase these existing risks affects the security of the U.S.

5. On the other hand, we should do nothing which would be restrictive to the actions of the Atomic Energy Commission in matters of policy. The Department of Defense should support in every possible way the obtaining of any information that tends to bring new technical ideas and American industry more completely into the production of fissionable materials and atomic weapons.

The Department of Defense recognizes that there are limitations on information exchange which retard the present program and be-

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[3] Documentation on discussions regarding United States–United Kingdom–Canada cooperation in the field of atomic energy during 1949 is printed in *Foreign Relations*, 1949, vol. I, pp. 419 ff.

lieves, however, that there are other means of obtaining much of the scientific and technical information that may develop in Europe and elsewhere. These means are far less likely to jeopardize our own security. We must make sure that any exchange of information will on balance add to our military position.

6. The position of Canada is omitted from this discussion because of their decision to remain outside the weapons field in the atomic energy program.

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*Editorial Note*

On September 18, 1951, Senator Brien McMahon, Chairman of the Joint Committee on Atomic Energy, delivered a speech in the Senate advocating the rapid expansion of the atomic energy development and production program with a view to achieving a national defense posture which was stronger and more completely based upon reliance on atomic weapons. For text, see *Congressional Record*, 82d Cong., 1st sess., pp. 11496–11501.

During the remainder of 1951, the Joint Committee and the Executive Branch, particularly the Atomic Energy Commission and the Department of Defense, engaged in extensive consideration of possible expansion of the atomic energy program. This subject is described in Hewlett and Duncan, pages 556–572.

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Atomic Energy Files, Lot 57 D 688

*Memorandum by the Special Assistant to the Secretary of State (Arneson)*

TOP SECRET [WASHINGTON,] September 24, 1951.

MEMORANDUM FOR THE SECRETARY

Subject: Conduct of Test of U.K. Atomic Weapon at Nevada Test Site

At the CPC meeting on August 27 it was agreed that the Department of Defense and the Atomic Energy Commission should attempt to work out a counter-proposal to the British proposal concerning the testing in the United States of the first British atomic weapon. The Department of Defense and the AEC have now reached agreement on such a proposal. (See Tab A).[1]

In the course of preparing this document Chairman Dean discussed the problem with the President, who said he hoped very much that it would be possible to accommodate the British request, doing so in such a way as to stay within the limits of the law and to safeguard public safety. Chairman Dean has also discussed the matter with

[1] A handwritten marginal notation indicates that the attachment, which does not accompany the source text, was dated September 14, 1951; regarding the preparation of the U.S. counterproposal, see footnote 1, p. 768.

Senator McMahon who has expressed very strongly the view that this should be done if possible. The proposal in its final form has been transmitted to the Joint Committee for its information. There have been no objections raised up to now.

The U.S. counter-proposal was transmitted by me to the British on September 18 to determine whether the test plan in its present form was acceptable to the United Kingdom. We have now heard that it is acceptable. The British are anxious to move ahead quickly with the necessary plans and wish to have Dr. Penney, who is arriving in the United States today, begin discussions with the MLC and AEC. The British would feel more comfortable about Dr. Penney's discussions, as would we, if we were sure that the proposal in its final form were shown to the President to make certain that it has his final approval.

I recommend therefore—both the Department of Defense and the Atomic Energy Commission concurring—that you take the opportunity today to speak to the President about the problem, indicating to him we are ready to proceed with the program provided he approves. I do not believe that any Presidential initials are required but I do feel it important that he give his final reaction to the proposition.[2]

R. Gordon Arneson

[2] A memorandum by Secretary Acheson of a portion of his conversation with President Truman on September 24 reads as follows:

"Item 1. *For Mr. Gordon Arneson.* I discussed with the President the project which you mentioned to me. It meets with the President's approval and we may go ahead with it. DA" (Atomic Energy Files, Lot 57 D 688)

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*Editorial Note*

On October 3, 1951, Joseph Short, Secretary to the President, made public the following statement: "Another atomic bomb has recently been exploded within the Soviet Union. In spite of Soviet pretensions that their atomic energy program is being directed exclusively toward peaceful purposes, this event confirms again that the Soviet Union is continuing to make atomic weapons.

"In accordance with the policy of the President to keep the American people informed to the fullest extent consistent with our national security, the President has directed me to make this statement and to stress again the necessity for that effective enforceable international control of atomic energy which the United States and the large majority of the members of the United Nations support.

"Further details cannot be given without adversely affecting our national security interests."

549-782—79——50

For information on the background of this announcement, see Hewlett and Duncan, page 558. For documentation on the first Soviet nuclear test, announced on September 23, 1949, see *Foreign Relations*, 1949, volume I, pages 419 ff.

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741.13/10–1651

*Memorandum of Conversation, by the Counselor of the Embassy in the United Kingdom (Penfield)*[1]

TOP SECRET [LONDON,] October 9, 1951.

I called on General Morgan[2] in his office this afternoon. During the course of our conversation he made the following comments regarding his new duties which he formally assumed about October 1:

(1) He had just concluded a tour of what he referred to as his "Northern diocese", and said that he had been pleasantly surprised and greatly encouraged by the attitude of the people working in the program. He said they had a real enthusiasm and esprit which he felt indicated that they were doing effective work.

(2) He said that, although he believed there were only two unsettled points in connection with Dr. Penney's negotiations in Washington, he was rather pessimistic regarding the outcome. He exhibited not the slightest resentment over the difficulties being encountered by Dr. Penney, but on the contrary showed a very understanding and sympathetic attitude toward the public and private difficulties faced by the American authorities. He confirmed that the only steps that the British have taken to develop their own facilities is to send out a few reconnaissance parties.

(3) General Morgan said that the thing which bothered him most about his set-up was the security situation. He indicated that the Government's decision regarding revised procedures which was made as the result of the recent U.S.–U.K. security talks in London has not yet been implemented because the Cabinet had not given final approval. He explained that the contemplated changes had important internal political potentialities, and gave as his private opinion that nothing would be done before the elections. He was, however, optimistic that no matter which Party wins, the situation would be very quickly cleared up after the elections are over.

(4) He anticipates that if, as is generally expected, the Conservative Government comes into power after October 25th, there will almost certainly be a reorganization of the atomic energy program embodying at least some of the ideas advanced by Lord Cherwell[3] in the House of Lords debate on the subject early last summer. (In view of Lord Cherwell's close association with Churchill and the latter's great reliance upon him in scientific matters, this would seem to be almost a foregone conclusion.) General Morgan, however, does not expect any immediate drastic action, as he tends to believe that the atomic energy

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[1] Transmitted as the enclosure to despatch 1777 from London, October 16.

[2] Lt. Gen. Sir Frederick Morgan, British Controller of Atomic Energy.

[3] Philosopher, physicist, and statesman. Personal assistant to Prime Minister Churchill, 1940; Paymaster-General, 1942–1945.

program reorganization will form part of a larger governmental reorganization involving the rationalization of the previously conflicting responsibilities of the Ministry of Supply, Ministry of Materials and Board of Trade.

(5) General Morgan emphasized several times during the conversation his desire to develop closer and mutually profitable Anglo-American atomic energy relations, but he had a very realistic and sympathetic understanding of the American side of the problem. In this connection he expressed the hope that Colonel Damon's[4] arrival could be speeded up so that the gap left by Colonel Langguth's[5] departure could be filled as promptly as possible.

J[AMES] K. P[ENFIELD]

[4] Lt. Col. John C. Damon, Assistant Army Attaché, United States Embassy in the United Kingdom.

[5] Lt. Col. Paul O. Langguth, former Assistant Army Attaché, United States Embassy in the United Kingdom.

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Atomic Energy Files, Lot 57 D 688

*Memorandum of Conversation, by Mr. Thomas E. Murray, Member of the United States Atomic Energy Commission*[1]

SECRET LISBON, October 11, 1951.

The meeting occurred at 9:30 at the residence of Dr. Antonio Oliveira Salazar.[2] I was accompanied by Father Manuel Arouca, Secretary to the Cardinal.[3]

I told His Excellency, Dr. Salazar, that the reason for my being in Lisbon was to make a pilgrimage to Fatima on October 12–13; that that was my primary reason for coming to his country, but while I was here the Cardinal thought I should pay my respects to him, and to answer any questions that I could which His Excellency might wish to ask.

He indicated an interest in atomic energy. I was able to advise him of the United States' interest in the ore and the need for as much ore as possible. I told him that if there was any way that the Portuguese Government could assist in this matter it would be very much appreciated by my own country. He was familiar with the English developments and the troubles in getting the mine in working operation. He said he was hopeful that something would materialize rather soon. He knew of the anxiety of the English to get ore concentrated in Portugal in order to save freight in shipping it into England. He said that all his dealings had been with the English and that he only knew of the United States interest second-hand. This, at least, is the

[1] Transmitted to R. Gordon Arneson, Special Assistant to the Secretary of State for Atomic Energy Affairs, by William P. Maddox, Chargé in Portugal, on October 15.

[2] Prime Minister of Portugal.

[3] Reference is to the Cardinal Patriarch of Lisbon.

way I understood him. It seemed to me that he was saying that he would be glad to hear directly from the United States. He did not state this in so many words but this was my impression. He then spoke of the price of uranium. He said he did not know what the metal was worth or what it would bring in the world market. He seemed to indicate that that was one of the reasons why the output of uranium in Portugal was being limited. He said at present the Portuguese were only getting really the price of the labor to get it out of the ground. He was also concerned with the value of uranium for power for the future. In this connection, I told him that in my judgment that power was a matter of between five and ten years away. He was not too familiar with the medical advances that had been made in the United States in the use of radio-isotopes for the treatment of cancer and blood disease. He said that he knew some of his doctors had been in the United States and knew a little about it but that he was not too familiar with it. He showed a very clear interest in the medical aspects. I tried to impress him with the importance of uranium for world protection. I also stressed the fact that his uranium and other sources of uranium might be of little or no value in 1960, if world events turned bad. I also told him that if his government wished to make a contribution to world protection and, in turn, to world peace, now was the time to act.

Several times during the course of the conversation I repeated that I was not asking for anything from him for our country. I was merely trying to put the thought in his mind, as a friend of his country, of the value that uranium had in the world picture. In conclusion I told him that if he decided to extend uranium operations in Portugal that there should be ways to assure his country that the techniques of using uranium for power, if and when it was developed, could be arranged.

In leaving I again stressed the fact that the purpose of my visit was to pay my respects and at the same time to stress the urgency for uranium ore.

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G/PM Files, Lot 68 D 349

*Memorandum by the Secretary of Defense (Lovett) to the Chairman of the Combined Policy Committee (Acheson)*

TOP SECRET WASHINGTON, October 12, 1951.

Subject: Cooperation with the U.K. and Canada in the Field of Atomic Weapons

1. On 31 January 1951 the Secretary of Defense forwarded to you the views of the Department of Defense on the above subject.[1] At that

[1] Memorandum and enclosure not printed.

time it was suggested that after you and the Chairman of the Atomic Energy Commission had an opportunity to study the Defense Department views, a meeting of the American members of the Combined Policy Committee be called for the purpose of coming to an agreement with respect to a set of conclusions and of preparing a plan of action looking to the implementation of those conclusions.

2. Although no formal meeting of the American members has been held to consider this subject, there have been extensive conversations and correspondence on "Cooperation with the U.K. and Canada" between the Atomic Energy Commission, the Department of Defense, the Central Intelligence Agency, the Executive Secretary, National Security Council, and the Chairman, CPC. Most of this correspondence has related to exchange of information with the U.K. and Canada in the fields of basic science, reactor technology, raw materials processing, intelligence, and like fields not directly related to atomic weapons. Much of the conversation has dealt with the legal language of an enabling amendment to the Atomic Energy Act and to the question of whether the "Act" should be amended before or after a Cooperation Program was agreed upon.

3. The Defense Department position was based primarily upon the military desirability of exchanging finished U.S. atomic weapons for British plutonium, exchanging only the minimum of information necessary to support that exchange. Discussions which have taken place since the Department of Defense position was submitted lead to the conclusion that it is not practical to hold the disclosure of technical information on the U.S. atomic energy program to the limited areas envisaged at the time that position was submitted.

4. Further, the Department of Defense considers that the present time is not propitious for seeking legislative change to permit more extensive cooperation with foreign governments in the atomic energy field.[2]

5. In this light, the Department of Defense retracts its position on "Cooperation with the U.K. and Canada in the Field of Atomic Weapons" as expressed in the Secretary of Defense's memorandum of 31 January 1951 to the Chairman of the Combined Policy Committee.

ROBERT A. LOVETT

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[2] Regarding developments culminating in the enactment on October 30, 1951, of Public Law 235, 82d Cong. (65 Stat. 692), amending Section 10 of the Atomic Energy Act of 1946, see letter from Gordon Dean, Chairman of the United States Atomic Energy Commission, to William C. Foster, Acting Secretary of Defense, November 27, p. 785. For additional information on the subject, see Hewlett and Duncan, pp. 479–484.

711.5611/10-1351: Telegram

*The Chargé in France (Gray) to the Secretary of State*

CONFIDENTIAL PARIS, October 13, 1951—1 p. m.

2172. For Arneson from Terrill.[1]

1. Fr public interest in amendment to US Atomic Energy Act[2] has been significant; Paris press giving prominent place and full coverage to news of action by Joint Comite and Senate. Some press stories mention Fr, together with UK, Canada and Norway, as potential collaborators wth US under new legislation.

2. FonOff, on behalf itself and Fr AEC, has requested copies radio bulletin texts and *NY Times* articles on subject. In reply to request by FonOff official for Emb's comments, Emb officer stated that so far as he knew, the new legislation was of general enabling character, had been under consideration for several years, and was not directed to any specific situation.[3] [Terrill.]

GRAY

[1] Robert P. Terrill, Deputy Counselor for Economic Affairs, United States Embassy in France.

[2] See footnote 2, *supra*.

[3] A letter from Arneson to Terrill of October 17, responding to the present telegram, stated the following regarding the contemplated amendment of the Atomic Energy Act: "all present prohibitions against exchanging information remain in effect except for special circumstances when information exchanged on a *quid pro quo* basis will redound to the substantial advantage of the United States.

"It does not seem likely that France will be one of the countries with which the United States will exchange information, primarily because it is difficult to see what advantage would come to the national security of the United States. Note also the requirements of the amendment concerning security standards." (Atomic Energy Files, Lot 57 D 688)

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103.02 AEC/10-2251

*Memorandum by Mr. Thomas E. Murray, Member of the United States Atomic Energy Commission, to the Ambassador in Spain (Griffis)*[1]

SECRET [MADRID,] October 19, 1951.

The meeting with the Generalissimo[2] took place at El Pardo at 11:30 a. m. on Wednesday, October 17, 1951. The Marquis de Prat acted as interpreter. No one else was present.

I said I brought greetings from President Truman and my associates in Washington.

The original purpose of my visit to Europe was to attend the closing of the Holy Year Ceremonies at Fatima in Portugal on the 12th and 13th of October. I described the gathering of over a million pilgrims

[1] Transmitted to the Department as an enclosure to despatch 387 from Madrid, October 22.

[2] General Francisco Franco Bahamonde, Chief of State and Premier of Spain.

in the square before the Basilica and the surrounding hills. He was familiar with Fatima saying he had been there about a year ago.

When it was learned in Washington that I was to make this trip it was suggested that I investigate the uranium ore situation in Portugal and Spain. I mentioned I had seen Dr. Salazar [3] and discussed developments in his country and if it pleased His Excellency, I would like to do the same with him.

We had, as I was sure he knew, started preliminary negotiations with his government regarding uranium through Westinghouse International. I said I was anxious not only to encourage these negotiations but also to explore the possibility of enlarging them.

He should know, I stated, of the need of the United States for uranium ore in the immediate years ahead. It was the objective of the Atomic Energy Commission to explore all possibilities aggressively. With this in mind we had received encouraging reports about Spanish deposits. We are hopeful that a full and complete survey may be made of Spain.

The Generalissimo said, as far as he knew, the reports of uranium in Spain had been exaggerated. His geologists had investigated many locations but had found little uranium. All that has so far been found is only enough to make one small atomic pile, for laboratory research work. It is the intention of his government to continue exploration so that if ore is in Spain it will be made available.

I told him of the rich deposit in the Belgian Congo and that it might be possible that Spain might have an undiscovered source of equal value. One could never be sure until an extensive and thorough exploration was undertaken. It seemed to me that it was well worth the chance and the United States would be willing to finance such an undertaking. I then asked permission to send geologists into Spain on such a mission.

He said he appreciated our position and would approve such an exploration.

I next broached the question of Spain agreeing now to export all uranium to the United States. It was understood, of course, that this would involve my government making the necessary financial arrangements. It would also bring about discussions of price for ore. In this connection I said I could not see how any financial arrangement other than the cost of mining plus a nominal profit was feasible. I was convinced that Spain should accept such a proposal and get whatever other advantages it thought would necessarily flow from the good-will gesture I was suggesting.

I also reminded him at this point of some of the specific advantages, such as a free interchange of scientific personnel, cooperation eventu-

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[3] For memorandum of conversation by Murray, October 11, see p. 775.

ally in the economical use of uranium for power as well as for medical and industrial purposes.

Several times I stated that uranium should not be considered in the same category as other metals such as copper, tin, zinc, lead, et cetera. Uranium has a unique and very different and vital part to play in world affairs and so all the available ore should be put at the disposal of the peace loving countries. It was important that it serve our mutual interests.

In this connection, however, I emphasized the importance of time. Time was running out, perhaps, and we should not explore for uranium in a leisurely fashion. It should be remembered that ore discovered in the ground today cannot find its way into bombs for . . . years. It seemed important to get under way at the earliest possible time. He well knew that there might be little or no use for uranium in 1960 if world affairs went against us. Uranium has no real vital importance today except for military purposes.

The Generalissimo agreed in principle to what I had to say. He repeated he would permit the United States to send into Spain geologists, but while he himself was sympathetic to making a declaration of intent on all uranium, as I suggested, he did not wish to do this without consulting with his Ministers and the Cortes and have the matter fully understood by all parties.

He repeated several times that he appreciated what the United States had and was continuing to do to preserve world peace. If it was not for our country, he said, Europe would have been overrun by Russia long ago.

Near the end of our conversation he asked about the last Russian explosion and wanted to know if we were sure it was an atomic one. He asked the question in a kind of joking manner. However, I assured him that we were positive it was atomic. There were no doubts about it.

Our meeting ended with the Generalissimo asking me to convey his best wishes to President Truman and greetings to the whole American people whom he admired very much.

Prior to this visit I met Alberto Martin Artajo, Foreign Minister, on Tuesday evening, October 16, at 6:30. Marquis de Prat acted as interpreter. I reviewed the same matters with him. He was the one who arranged the appointment with the Generalissimo.

After the meeting at El Pardo, Marquis de Prat arranged a meeting with Joaquin Plannell, Minister of Industry, on Thursday, October 18, at 10:30 a. m. Mr. de Cubas[4] accompanied me to his office. I saw him alone at first, and went over everything. He was most sympathetic. His only comment was that he thought we should send more than two or three geologists as suggested by Westinghouse. I told him I was

[4] J. L. de Cubas, Westinghouse Electric International Company representative in Spain.

to meet General Vigon [5] later in the day. He was very much pleased, and because he said this was primarily a military matter. After covering these points I asked Mr. de Cubas to come in and meet the Minister.

At 12:30 I saw General Vigon at his office with Colonel Gandia of the United States Military Mission. This meeting was arranged through General Spry, U.S.A.,[6] at the request of Ambassador Griffis. Commander Alvaro Urzaiz, of the Spanish Navy, was also present. Here again I reviewed the situation and told the General of my meeting with the Generalissimo. He seemed very familiar with the Atomic Energy Commission's program. He reads our semi-annual reports [7] very carefully. He talked about uranium for power and he agreed it was a long way off, perhaps ten or twenty years. He seemed agreeable to everything and would speak to the Generalissimo if the opportunity presented itself tomorrow at the cabinet meeting.

Met General Spry at his office today, October 19, at 9:45 a. m. I reviewed my interviews with the Generalissimo, General Vigon, Artajo and Plannell. He is to see General Vigon today and would speak to him, emphasizing the need of early explorations. He will also follow the matter with informal talks with the Spanish military whenever the occasion arises.

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[5] Lt. Gen. Juan Vigon, Chief of the Spanish Council on Nuclear Energy.

[6] Maj. Gen. James W. Spry, USAF, Chief of the Joint Military Survey Team which arrived in Spain in August. Information on the mission is included in documentation on Spain and the Western defense system in volume IV.

[7] Reference is to United States Atomic Energy Commission semiannual reports to Congress.

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G/PM Files, Lot 68 D 349

*Memorandum by the Special Assistant to the Secretary of State (Arneson)*

TOP SECRET [WASHINGTON,] October 22, 1951.

MEMORANDUM FOR THE SECRETARY

Subject: Second Soviet Atomic Explosion in Current Test Series

In discussing with the President how we should play the second recent Soviet explosion you will want to have the following points in mind:

1. Extraordinary steps are being taken to try to keep this event from leaking.
2. We do not wish to say anything unless we are forced to.
3. In the event that the "leak" comes from the Kremlin we should be prepared to acknowledge that we have been aware of the second shot.

4. If our hand is forced, the story should be played down both in terms of what is said and who says it. The attached draft to be used, if necessary, by the AEC is designed to accomplish this.

The foregoing points are concurred in by Messrs. Matthews, Nitze,[1] Bonbright,[2] and Armstrong.[3]

R. Gordon Arneson

[Annex]

*Draft Statement Prepared by the Special Assistant to the Secretary of State (Arneson)*

TOP SECRET [Washington, October 22, 1951.]

A second atomic explosion in the current Soviet test series has recently occurred. Further tests may be expected as a normal adjunct to the Soviet atomic weapons program.

[1] Paul H. Nitze, Director of the Policy Planning Staff.
[2] James C. H. Bonbright, Deputy Assistant Secretary of State for European Affairs.
[3] W. Park Armstrong, Jr., Special Assistant to the Secretary of State for Intelligence.

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G/PM Files, Lot 68 D 349

*Memorandum of Conversation, by the Secretary of State*

TOP SECRET [Washington,] October 22, 1951.

Memorandum of Conversation With the President

Item 3. *Arneson Issue*

I discussed with the President Mr. Arneson's memorandum of October 22.[1] The President said that he had already discussed this with Secretary Lovett and that he was rather of the opinion that it would be desirable to put out something in as much as the matter would undoubtedly leak. The suggested statement attached to the memorandum seemed to him about right. He also thought well of the suggestion that anything put out should come from the AEC rather than from the White House. I said that we would meet with AEC and Defense and have a joint recommendation for him.[2]

D[ean] A[cheson]

[1] *Supra.*
[2] Later on October 22, Joseph Short, Secretary to the President, released the following statement: "Another atomic explosion has occurred within the Soviet Union, apparently as part of a test series. Of course, there may be more such explosions from time to time."

Atomic Energy Files, Lot 57 D 688

*The Ambassador in Brazil (Johnson) to the Brazilian Minister of State for Foreign Affairs (Neves da Fontoura)*

SECRET Rio de Janeiro, October 25, 1951.
No. 224

Excellency: I have the honor to refer to a meeting in Washington on April 11, 1951,[1] of Your Excellency and Ambassador Nabuco[2] with the Chairman and Members of the Atomic Energy Commission of the United States at which, I am informed, there took place a general discussion of the need of the Government of the United States to expand its production of atomic weapons for the defense of the Western Hemisphere and the free world.

To do this increased supplies of uranium are necessary and the Atomic Energy Commission believes that some uranium might be found in Brazil if a wide-spread exploratory program could be carried out. The Chairman of the Commission stated that if the Government of Brazil looked sympathetically on such a program, the United States Commission would be glad to assist in several ways. These included the furnishing of geologists to inform Brazilian personnel in the procedures of exploring for uranium ores, and making available instruments which are useful in detecting radioactive ores. Other kinds of technical cooperation between our two Governments would also be feasible.

I am informed that Your Excellency stated that the Government of Brazil desired in every way to cooperate in the common defense program and indicated your belief that the Government of Brazil would wish to give consideration to the proposal. I am also informed that Your Excellency suggested the usefulness of having representatives of the Atomic Energy Commission come to Rio de Janeiro for discussion of the proposed exploration program in more detail with Brazilian authorities, it being understood that such discussions should be kept on a strictly confidential basis. The Secretary of State on May 1, 1951, transmitted to the Embassy of Brazil in Washington an *Aide-Mémoire*[3] summarizing the decisions reached at the April 11 meeting.

I have had the pleasure of discussing this question with Your Excellency on various occasions, particularly on July 12, 1951, on which date I was informed that pertinent instructions had been sent to the Brazilian Embassy in Washington. Shortly thereafter the Depart-

[1] Neves da Fontoura had been in Washington in April to participate in the Fourth Meeting of Consultation of the Foreign Ministers of the American Republics. For documentation on that conference, see vol. II, pp. 925 ff.
[2] Mauricio Nabuco, Brazilian Ambassador in the United States.
[3] Not printed.

ment of State received from the Embassy of Brazil Note No. 330/692.01(22) dated July 18, 1951,[4] stating that the Government of Brazil deems it advisable that representatives of the Atomic Energy Commission of the United States, as well as representatives of the United States Geological Survey, come to Brazil.

I have now been informed by the Department of State that officials of the Government of the United States are planning to arrive in Rio de Janeiro on November 2, 1951, on Pan American Flight No. 201. The officials in question are as follows:

Mr. Gordon Dean, Chairman of the Atomic Energy Commission
Mr. Everett Hollis of the Commission
Mr. John A. Hall of the Commission
Mr. Rafford Faulkner of the Commission
Mr. William D. Johnston, Jr. of the United States Geological Survey

Messrs. Faulkner and Johnston have technical backgrounds.

It is the desire of Mr. Dean and his group that I make arrangements for the initiation of discussions with the appropriate officials of the Government of Brazil starting November 5, 1951. It is the hope of Mr. Dean that discussions in Rio de Janeiro can be concluded within one week and that the results can be embodied in a memorandum of understanding which would be acceptable to our two Governments.

It would be greatly appreciated if Your Excellency could inform me whether the date of November 5 is acceptable for the opening of these discussions, and the names of the officials of the Government of Brazil with whom Mr. Dean and his colleagues should meet.

My Government fully shares Your Excellency's view that publicity should be avoided regarding the visit of Mr. Dean and his group and that the discussions in which they hope to engage should be kept strictly confidential.

Accept [etc.] HERSCHEL V. JOHNSON

[4] Not printed.

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711.5611/11-251

*The Acting Secretary of Defense (Foster) to the Chairman of the Atomic Energy Commission (Dean)*

CONFIDENTIAL WASHINGTON, November 2, 1951.

DEAR MR. DEAN: I write to express my concern over the manner in which S. 2233 was considered since this Bill has military implications of gravity.[1] The Department of Defense was not consulted, as has been customary in the past, during the consideration of the Bill by either the Joint Committee on Atomic Energy or by the Senate

[1] See footnote 2, p. 777.

during debate and passage. The Department was consulted by the House on the date the amendment was due to be voted by the House but this did not give adequate time for consideration on such a matter.

The Joint Chiefs of Staff are concerned that continuation of such a precedent might have serious implications for the Department of Defense. The Joint Chiefs further state that this Bill warranted careful consideration by the Department of Defense even during the early stages of the Bill's preparation when the Military Liaison Committee should have had an opportunity to exercise its statutory responsibilities as they are set forth in the Atomic Energy Act. I am in agreement with their views.

It seems to me to be essential that before any further legislation to amend the Atomic Energy Act of 1946 is presented to the Congress or to its Joint Committee on Atomic Energy, agreement thereon is reached at least among the Atomic Energy Commission, the Department of State, and the Department of Defense. Accordingly, I have issued appropriate instructions to my staff that in any consideration of legislation concerning the Atomic Energy Act, they will continue to coordinate with your Commission to insure that you are aware of such legislation, and that appropriate action toward agreement within the Executive Agencies of the Government is accomplished. I would greatly appreciate receiving similar assurances from your Commission. I am sending a copy of this letter to the Secretary of State.

Sincerely yours, WILLIAM C. FOSTER

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103-AEC/11-2751

*The Chairman of the United States Atomic Energy Commission (Dean) to the Acting Secretary of Defense (Foster)*

SECRET WASHINGTON, November 27, 1951.

DEAR MR. FOSTER: This is in response to your letter of November 2, 1951 [1] concerning S. 2233. I have not responded earlier since I was out of the country when your letter was received, and have just recently returned.

The general question of what atomic energy information should be exchanged with foreign countries, the legality of such interchange in view of the provisions of Section 10 of the Atomic Energy Act of 1946 and the general desirability of amending the Act in such a way as to give greater flexibility to the United States to engage in interchange which would be beneficial to this country have been subjects for discussion on numerous occasions between the Department of Defense, the State Department and the Atomic Energy Commission over a period of many years. To list all of these discussions and to indicate the results thereof would at this point serve no useful purpose. It will

[1] *Supra.*

suffice to say that there has been general recognition that the provisions of Section 10 are far too restrictive and that areas do exist in which more interchange would be beneficial to the United States.

In the meeting of the American members of the Combined Policy Committee on September 7, 1950,[2] attended by Secretary Acheson, Secretary Johnson, General Bradley, myself and members of our staffs, I suggested the desirability of our securing the plutonium output of the British piles. At that meeting General Bradley stated that if there were no legal obstacles he felt it would be highly desirable from a strictly military point of view to establish all-out cooperation with the British in the weapons field. He stated that he would favor an arrangement whereby the United States would secure UK plutonium output in exchange for furnishing the UK with a suitable number of weapons. There was general agreement that an arrangement of this type would undoubtedly require Congressional action. It was also agreed that prospects were very dim for a change in the law before the next session of the Congress. It was also agreed that inasmuch as the Department of Defense has the greatest interest in arrangements involving military security, the most expeditious way to go about firming up a US position would be to have the Department of Defense come up with its recommendations. Once these were in hand, the State Department and the Atomic Energy Commission could make their respective contributions. It was agreed that Mr. LeBaron, in consultation with the Joint Chiefs of Staff and the joint Secretaries, would proceed immediately to firm up the views of the Department of Defense. As a result of this meeting a study was undertaken by the staff of the Military Liaison Committee, and the paper embodying the study was approved by the Joint Chiefs of Staff.[3] In effect it recommended that the United States turn over to the British completed atomic bombs in exchange for plutonium of equivalent value from British piles. It soon became apparent to the Atomic Energy Commission, and I believe eventually to the Joint Chiefs, that it was not practical to give completed weapons to the British without disclosing highly significant technical information on US atomic weapons.

On September 14, 1951 Mr. LeBaron furnished me with a draft memorandum indicating some of the thinking of General Bradley on this subject, but in the letter of transmittal Mr. LeBaron said that "these notes are entirely informal and do not have any official status within the Department of Defense." [4]

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[2] For the minutes of this meeting, see *Foreign Relations*, 1950, vol. I, p. 572.

[3] The study, transmitted by Secretary of Defense Marshall to Secretary of State Acheson (Chairman of the Combined Policy Committee) on January 31, 1951, is not printed.

[4] Draft memorandum and letter of transmittal not found in Department of State files, but see statement by the Department of Defense transmitted to the Department of State, September 17, p. 769.

Prior to this—on May 18, 1951—in order to bring the matter to a head, I had transmitted to the Executive Secretary of the National Security Council a request for an early meeting of the Council to discuss cooperation with the UK and Canada on atomic energy matters and a draft amendment to the Act which would give flexibility to the Commission to interchange information with Presidential approval.[5] In this request I transmitted examples of the types of cooperation with Canada, the UK, Belgium and other countries which might be highly beneficial to the United States, these being for the most part in the non-weapons field. The disappearance of MacLean and Burgess and the crowded calendars of the members of the National Security Council Special Committee combined to postpone the consideration of these two problems, although in the CPC meeting of August 27, 1951[6] I again raised, in connection with the proposal to hold a test of a British bomb in this country, the restrictive provisions of Section 10. I gathered from the remarks that the Secretary of Defense and the Secretary of State were wholly sympathetic to a legislative change but the question was largely one of timing. There was some feeling that it would be impossible in the late days of the Congress to get such an amendment through. I in turn suggested that the question of timing and the merits of the proposal be separated, the matter of timing to be determined by the President.

About this time there arose a situation which called for immediate solution. It had to do with the new discovery in the Athabaska Region of Canada and the desire of the Canadians to hire an American construction concern to build a process plant to bring uranium ores to a pure oxide state. The desire of the Canadians to use our process grew out of the fact that in the process they were contemplating the process loss would run from . . . , whereas our process loss runs. . . . Here obviously was a case where interchange was substantially beneficial to the United States. I advised Mr. Lovett orally of the problem and also General Bradley, as well as the Secretary of State. I told them also that since under the provisions of the Atomic Energy Act it is my duty to keep the Joint Committee fully and currently advised on such matters, I would have to present the problem to them and that I would do so with the hope that they would themselves come forward with legislation which would permit the interchange.

Before taking this up with the Joint Committee, however, I told the President of the problem, advising him that there was no Executive branch position, that I foresaw no difficulty in the Congress if the Joint Committee was fully advised of our problem and was unanimous on the solution. He instructed me to present the matter to the Joint

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[5] See the memorandum by Executive Secretary Lay, dated May 21, p. 721.
[6] For minutes, see p. 763.

Committee, the idea of Committee-sponsored legislation appealing to him.

On September 12, 1951 I presented the matter to the Joint Committee. I furnished them with no legislation, explaining that it would be my hope that any legislation would be sponsored by the Joint Committee, that I had no language to suggest but that some kind of legislation was necessary to give us the freedom that was needed in this kind of a situation. The first draft of the bill was undertaken by the staff of the Joint Committee, and major changes were suggested by various members of the Joint Committee. While I felt that the legislation was still unduly restrictive, the needs of our program required an immediate solution. The bill was unanimously agreed upon by the Committee and became law on October 30, 1951.[7]

As soon as the draft of the Committee's amendment was available, I notified Mr. Lovett of the development and on October 1, 1951 placed in his hands the text of the Committee's proposal. This was eight days before the legislation was reported out by the Committee. At the same time I supplied a copy of the proposal to the Secretary of State. There has been, therefore, from the beginning the closest possible relationship between the Atomic Energy Commission and the Department of Defense.

The many safeguards of the bill which are described at some length in the Joint Committee's Report (Senate Report 894, 82nd Congress) will afford the Department of Defense a full opportunity to express its views with respect to any arrangement with any other nation that might be sought by the Atomic Energy Commission pursuant to the new legislation. For example, after the Commission approves a particular arrangement, it must also be approved by the President, and the National Security Council (of which the Secretary of Defense is a member) must make a recommendation in writing to the President with respect to any such proposed arrangement.

We completely agree with your views as to the need for close working relationships between our respective agencies in regard to legislation of concern to both of us. I understand, for example, that representatives from our two agencies have been working closely together for some time, with respect to the vexing problems of the Commission and the Department of Defense relating to personnel security clearances, and that recently we have together worked out specific legislation agreeable to both agencies which can promptly be submitted to the Congress when it reconvenes next January.

You have our assurance of our desires and intentions to keep the Department of Defense informed on legislation of mutual interest and to work closely with the Department of Defense in regard to such legislation. I am sending a copy of this letter to the Secretary of State.

Sincerely yours, GORDON DEAN

[7] Public Law 235, 82d Cong. (65 Stat. 692).

852.2546/12–451 : Telegram

*The Acting Secretary of State to the Embassy in Spain*

SECRET WASHINGTON, December 6, 1951—9 : 56 a. m.

441. For the Ambassador.

1. Believe you shld see Franco soon to follow up Murray's conversation (Embtel 535, Nov 21, and Embtel 576, Dec 4).[1] This may be made overt purpose your call.

2. Objective is to lay basis for firm govt to govt understanding on:

*a*) A declaration of intent on the part of Spain to sell and permit the export to US of uranium ore, if and when found, in excess of minimum Spanish requirements. Franco told Murray he did not wish to give such a declaration at that time.

*b*) A uranium exploration program in Spain. Franco has already indicated to Commissioner Murray that he wld approve this. (Embdes 387, Oct 22 [2]).

3. During your call on Franco you shld ask whether he can give a further response on point 2*a*. You may say that US is prepared, after Spanish declaration of intent, to provide technical assistance and technical personnel for an exploration program. (See Deptel 385, Nov 15, Para 7 [3]).

4. If the declaration of intent appears likely but clarification of type of technical assistance and technical personnel to be made available is required, you may say that you will request these details from your Govt. FYI a draft outline covering this subj could be promptly supplied. If absolutely necessary, AEC personnel can come to Madrid to complete the discussions and lay plans for the exploration program.

5. If, however, before discussing a declaration of intent, Franco desires additional info on nature US assistance, you shld respond as outlined in Para 5, Deptel 385, Nov. 15.[4]

6. Unless overriding political objections appear, the AEC wishes to utilize Westinghouse to administer the exploration program, assuming basis for such program has first been arranged between govts, but wld expect assign geologists to Westinghouse for this purpose.

WEBB

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[1] Neither printed.

[2] For memorandum by Commissioner Murray, October 19, transmitted to Washington as the enclosure to the reference despatch, see p. 778.

[3] Telegram 385 to Madrid is not printed. Paragraph 7 reads as follows: "FYI, the primary interest of the US in this matter is to obtain uranium ore and, unless there is some hope of working out an arrangement to accomplish this, it is doubtful that any useful purpose could be served by a discussion of other aspects of the present proposal." (852.2546/11–1551)

[4] The reference paragraph reads as follows: "If the Spanish authorities respond to your inquiry on this matter with a request for information as to the kind of assistance which US might offer, you should point out that, while US in general would be prepared to provide some assistance, no detailed thought has been given to the problem pending some indication that such a project could result in additional supplies of uranium ore for US and the defense of the Western World." (852.2546/11–1551)

549–782—79——51

832.2546/12-651: Telegram

*The Acting Secretary of State to the Embassy in Brazil*

SECRET WASHINGTON, December 6, 1951—4:07 p. m.

540. During recent Washington visit, Admiral Alvaro Alberto[1] discussed Brazilian interest acquiring cyclotron. He had also discussed it with General Electric Co reps in Brazil and recd assurances GE cld supply the cyclotron. Admiral was told that obtaining a license export instrument from US to Brazil wld probably present no difficulty. Similar assurances on this point were reportedly made by reps of the US Atomic Energy Commission during their recent mission to Brazil.[2]

Conversations between officials of the AEC and the GE develop fact that company has not agreed manufacture the instrument and is quite reluctant to do so. Reasons are that instrument is very difficult to fabricate and wld require materials difficult obtain. GE has given the Commission to understand that Brazilian order will be accepted only if the US Govt formally requests it.

What authority, if any, Commission may have in such situation not now clear and, as practical matter, Commission does not wish consider applying pressure on company unless benefits to the Commission from so doing are quite clear. Reaction of Brazilian Govt to proposals recently made and discussed by AEC reps in Brazil may have some bearing on this pt.

Emb's comments requested.

WEBB

[1] President of the Brazilian National Research Council.

[2] For information on the mission, see letter by Ambassador Johnson to Arneson, December 11, *infra*.

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Atomic Energy Files, Lot 57 D 688

*The Ambassador in Brazil (Johnson) to the Special Assistant to the Secretary of State (Arneson)*

SECRET RIO DE JANEIRO, December 11, 1951.

DEAR GORDON: This is a rather late acknowledgement of your letter of October 30,[1] regarding monazite and the Dean visit.

By now Mr. Dean, of course, has informed you of how matters were left upon his departure.[2] The purpose of this letter is to let you

[1] Not printed.

[2] John A. Hall, Chief of the Office of Special Projects, United States Atomic Energy Commission, who accompanied Chairman Dean to Brazil, prepared a detailed account of the discussions which occurred. Arneson received a copy of this report, not printed, on November 30. (Atomic Energy Files, Lot 57 D 688)

know what has happened since his departure. An extra copy is being enclosed which I would appreciate your sending to Mr. Dean.

Mr. Dean no doubt has informed you that an agreement on uranium and cooperation in the atomic energy field was reached at the staff level when, on the eve of his departure, the Foreign Minister entered the picture. He had submitted an alternative draft agreement which, he said, had been approved by the President. The Foreign Minister's proposal was motivated by the political difficulties he foresaw if the Government of Brazil agreed to make available to the United States all mined uranium ores in excess of those needed by Brazil in its atomic energy program. He said that if large amounts are produced, Brazil no doubt would be willing to provide us with all in excess of its needs, but that it would be politically difficult to defend an agreement which stated this explicitly. He proposed that the agreement provide that Brazil would agree to make available to the United States 50 percent of all mined uranium ore.

This was not acceptable to Mr. Dean largely because of the effect it might have, if it became known, on our relations with Belgium, the Union of South Africa and other countries which are providing us with uranium. The day before he had to leave, we had a meeting with the Foreign Minister who was told by Mr. Dean that from our standpoint no agreement would be preferable to such an agreement. It was apparent, however, that the Foreign Minister wished an agreement. Mr. Dean then outlined wording which would commit the Brazilian Government to provide us with 50 percent of all mined uranium ore for a period of ten years, and also would provide that Brazil would be prepared to let us have additional uranium not needed in its own program. Copies of the two drafts are enclosed marked Dean Draft No. 1 and Dean Draft No. 2.[3] Either is acceptable to Mr. Dean, although he prefers the first.

The last week in November I saw the Foreign Minister and he told me that the President had approved the second draft. I was on the point of advising you accordingly, but thought the matter worth checking. Mills[4] checked with Consul Barbosa da Silva and it developed that by "second draft" the Foreign Minister meant his own draft which was not acceptable to Mr. Dean. Barbosa da Silva and Bueno do Prado had to straighten out the Foreign Minister on this point, it being made clear, once again, that Mr. Dean could not accept the Foreign Minister's draft and preferred not having any agreement.

I saw the Foreign Minister on December 5 and made certain that the mix-up in what was meant by "the second draft" had been clar-

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[3] Neither printed.
[4] Sheldon T. Mills, Counselor of Embassy in Brazil.

ified. I also took occasion to pass along the substance of the Department's Airgram A-292 of November 24,[5] which contained a message from Mr. Dean. The Foreign Minister appeared to understand and said he would go back to the President on the matter. I will reply to the airgram separately with reference to this letter of which Mr. Dean will have a copy from you.

On December 10, Shelly Mills and Emerson Brown[6] checked with Barbosa da Silva. The latter stated that the Foreign Minister had submitted the two Dean drafts to the President and he assumed that the Foreign Minister would discuss them when he has his weekly audience with the President this week. Barbosa da Silva was unwilling to speculate, but he certainly was optimistic and indicated that we are on our way to reaching an agreement. I do not think this is too sanguine, but I have learned that it is wise not to make predictions regarding the time it will take to complete any particular negotiation. Shelly took pains to point out that, if the Second Dean Draft is the one found acceptable by the President, it is extremely important that any announcement which might eventually be made should not be limited to saying that Brazil is committed to furnishing the U.S. with 50 percent of the mined uranium ore, but should also make clear the provisions regarding Brazil's willingness to furnish additional quantities not needed by the Brazilian atomic energy program. Shelly pointed out that unless the full picture is presented, if anything is made public, our relations with other countries would be seriously compromised. I did the same with Minister Neves da Fontoura.

Barbosa da Silva brought up the question of Brazil's interest in purchasing a cyclotron from General Electric, the subject of the Department's telegram No. 540 of December 6, 1951. A telegraphic reply is being sent to the Department.[7] In brief, the Brazilians, and particularly Admiral Alberto, are keen on acquiring a cyclotron. It is my opinion that our willingness to help the Brazilians here will have a considerable influence on our whole program of cooperation in the atomic energy field, and conversely if we are not willing to assist it will have an unfortunate effect. Moreover, if we are not willing to help, the Brazilians without doubt will give the order to the Netherlands, Phillips, which I am told recently has shown a revived interest in the matter.

I am writing you separately on monazite and manganese.

Sincerely, HERSCHEL V. JOHNSON

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[5] Not printed.

[6] Emerson I. Brown, Minerals Attaché, United States Embassy in Brazil.

[7] *Infra.*

832.2546/12–1151 : Telegram

*The Ambassador in Brazil (Johnson) to the Secretary of State*

SECRET Rio de Janeiro, December 11, 1951—5 p. m.

753. Deptel 540, December 6, 4 p. m. My opinion US Govt should informally request GE accept Braz cyclotron order.

If cyclotron cannot be obtained US, doubt would arise in minds of Brazs, particularly Admiral Alberto, Pres Natl Research Council, sincerity our statements we wish close coop with Braz in atomic energy field. Satis conclusion agreement uranium might well be delayed or jeopardized and in any event its implementation once concluded will depend on Braz goodwill and good faith. Our refusal aid obviously will be considered as unwillingness implement relationship we have stated we desire. FonOff official has informed Emb officer Braz greatly interested in obtaining cyclotron in US and if cannot do so probably will negotiate with Netherlands firm Phillips which recently has shown new interest in obtaining order. FonOff official pointed out problably would mean that Braz orientation in atomic energy field would be diverted from US towards Eur and especially Netherlands.

Johnson

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852.2546/12–1951 : Telegram

*The Ambassador in Spain (Griffis) to the Secretary of State*

SECRET Madrid, December 19, 1951—7 p. m.

632. Deptel 441, Dec 6. Discussed with Franco this morning uranium ore matter. Franco had been advised of purpose of my visit, which apparently followed two-hour briefing session with his own atomic energy comm including Gen Vigon. Franco stated anxious keep matter on govt-to-govt basis and welcomed uranium exploration program Spain. His resistance to proposed declaration of Spanish intent to sell and permit export to US if uranium ore found in excess of Spanish requirements remains unchanged. He firmly stated that the door was not closed but his associates desired further time study implications such agreement. Gives complete assurance that no Spanish uranium wld ever be sold to Communist power. Franco stated that he wld welcome arrival Spain and cooperate with Amer mining engineers and seemed perfectly clear that he desired mining technicians rather than industrial technicians. He stated and I fully concur that greatest progress cld be made in this matter if one or more AEC personnel came to Madrid to clarify discussions looking towards declaration of intent and lay plans for exploration program. Repeatedly stated his unwillingness to proceed now with intent declaration was due to vagueness of Spanish knowledge entire matter uranium development.

Stated Spanish geological structures giving indications uranium ore entirely different from Belgian Congo. Stated he had had approaches by various countries including Belg to tie up future Spanish excess production. I did not bring up matter of utilizing Westinghouse to administer exploration program as I felt that that cld best be handled on arrival AEC personnel.

De Cubas, Westinghouse, attempted to obtain for me copy of proposed agreement between Spain and US prepared by Planell, Min Industry, before matter passed from his hands to new commission. Plannell refused draft, stating had no present jurisdiction. De Cubas feels that Franco planning to tie in any uranium ore agreement or statement of intent to program of military aid on proposed arrival US defense mission. This may be possible and agreement cld probably more easily be obtained at that time.

Nevertheless, I urge sending Spain shortly representative AEC together with geologists and mining engineers.

GRIFFIS

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S/S–NSC Files, Lot 63 D 351,[1] NSC 120 Series

*Report to the National Security Council by the Executive Secretary (Lay)*

SECRET WASHINGTON, December 21, 1951.
NSC 120

COMMUNICATION OF DATA TO CANADIANS CONCERNING NEW ORE REFINERY

NOTE BY THE EXECUTIVE SECRETARY

Reference: Public Law 235, 82nd Congress [2]

The President has referred the enclosed letter on the subject from the Atomic Energy Commission, to the National Security Council for written recommendation pursuant to subsection 10(*a*)(3) of the Atomic Energy Act of 1946, as amended by Public Law 235, 82nd Congress.

Accordingly, the enclosed letter is being referred to the Senior NSC Staff to prepare a written recommendation for consideration by the Council.

JAMES S. LAY, JR.

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[1] Master set of National Security Council documentation, 1947–1961, retired by the Executive Secretariat of the Department of State (S/S).

[2] Public Law 235, 82d Cong., October 30, 1951 (65 Stat. 692).

[Annex]

*The United States Atomic Energy Commission to the President*

SECRET WASHINGTON, December 19, 1951.

DEAR MR. PRESIDENT: As you know, the 82nd Congress, by passage of Public Law 235, amended Sections 10(*a*) and 5(*a*) of the Atomic Energy Act of 1946 to permit, under certain prescribed conditions and limitations, the communication of certain categories of restricted data to other nations and to permit the Commission to authorize persons to engage in certain atomic energy activities outside the United States under certain prescribed conditions.

A copy of Public Law 235 and Senate Report No. 894 accompanying S. 2233 are enclosed herewith as Appendix "C" of the attached report.* The Senate Report outlines in detail the conditions which must be met in order to comply with the amended sections of the Atomic Energy Act. These sections require that specific security determinations be made, not only by the Atomic Energy Commission, but also by the National Security Council and the President, before the Commission may enter into arrangements with another nation involving restricted data.

The purpose of this letter is to reqnest that you act favorably in accordance with the provisions of Sections 10(*a*)(3) and 5(*a*)(3) of the Atomic Energy Act as amended so as to permit a proposed arrangement whereby:

*a*. The Atomic Energy Commission may communicate to the Canadian Government such restricted information as may be necessary to enable the Canadians to design, construct, and operate a uranium ore refinery incorporating the most recent U.S. technology, and which would be capable of processing all Canadian ore concentrates to a product meeting specifications as a feed to the U.S. metal production chain; and

*b*. The Atomic Energy Commission may authorize a U.S. company to assist the Canadians in this program.

As you know, essentially all of the uranium mined in Canada has been sold to the United States for its atomic energy program and under an existing agreement this arrangement will continue in effect at least until 1960.

The Canadians have determined that a new refinery is to be constructed to handle Canadian expanding ore production and they have requested our assistance in order that the most modern and efficient processes be employed. This project is under the jurisdiction of the Eldorado Mining and Refining Company (1944) Ltd., a Canadian

*Available in the office of the Executive Secretary, NSC, for reference by authorized representatives who have been cleared for restricted data as defined in the Atomic Energy Act of 1946. [Footnote in the source text. The attached report is not printed.]

crown company. This objective is of considerable importance to the United States for the reason that the use of our processes will result in a substantial reduction of process losses of uranium ore. Also important is the strategic advantage of a separate and distinct facility on the North American Continent producing a refined oxide capable of being processed without subsequent purification into uranium metal feed for the Hanford and Savannah River reactors. The proposed assistance will also probably result in dollar savings to the United States, for the reason that the use of improved processes in Canada would obviate the need of further refining of ore in United States plants.

Enclosed is a report † describing the proposed arrangement and the reasons therefor, in greater detail, incorporating a record of the exchanges to date between the parties to the proposed arrangement, together with assurances which have been received from the Canadian Government and the Eldorado Mining and Refining Company that they will adhere to security standards and safeguards which the Atomic Energy Commission has found to be adequate to protect the restricted information involved.

The Atomic Energy Commission has unanimously adjudged that the common defense and security would be substantially promoted and would not be endangered if the Commission enters into and carries out the specific arrangements referred to herein and more specifically described in the enclosed report,† with Canada and the Eldorado Mining and Refining Company, involving an American contractor or contractors, to be selected by the Canadians. The Commission is also prepared to authorize a United States contractor or contractors, to be selected by the Canadians, to assist the Canadians in carrying out the proposed arrangements under the conditions set forth on pages 9 and 10 of the enclosed report,† upon a determination by you pursuant to Section 5(*a*)(3) of the Atomic Energy Act, that the common defense and security will not be adversely affected thereby. The Commission has also determined that the recipient nation's security standards applicable to the data involved are adequate and that the security safeguards undertaken to be maintained by the recipient nation are acceptable, having given due consideration to the security sensitivity of the restricted data involved and the adequacy and sufficiency of such safeguards. All the other conditions of Sections 10(*a*)(3) and 5 (*a*)(3) of the Atomic Energy Act as amended are met:

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† Available in the office of the Executive Secretary, NSC, for reference by authorized representatives who have been cleared for restricted data as defined in the Atomic Energy Act of 1946. [Footnote in the source text. The attached report is not printed.]

*a.* The proposed arrangement does not involve the communication of restricted data on design and fabrication of atomic weapons;

*b.* The restricted data will be limited and circumscribed to the maximum degree consistent with the common defense and security objective in view;

*c.* The proposed arrangement does not involve a nation threatening the security of the United States;

*d.* The Joint Committee on Atomic Energy has been fully informed with respect to the proposed arrangement for a period of at least 30 days in which Congress was in session, which fact is evidenced by Report of Hearing held before the Joint Committee on Atomic Energy, Wednesday, September 26, 1951, page 1765.

The Commission has made all the findings and determinations required by Sections 10(*a*)(3) and 5(*a*)(3) of the Atomic Energy Act of 1946 as amended by Public Law 235, 82nd Congress, and now respectfully requests you to consider the proposed specific arrangement with the Canadian Government and the Eldorado Mining and Refining Company, involving a United States contractor or contractors, and, if acceptable, make the determinations required by Sections 10(*a*)(3) and 5(*a*)(3) of the Atomic Energy Act as amended, as follows:

Section 10(*a*)(3):

"(3) Nothing contained in this section shall prohibit the Commission, when in its unanimous judgment the common defense and security would be substantially promoted and would not be endangered, subject to the limitations hereinafter set out, from entering into specific arrangements involving the communication to another nation of restricted data on refining, purification, and subsequent treatment of source materials; reactor development; production of fissionable materials; and research and development relating to the foregoing: *Provided*,"[3]

. . . . . .

"(4) *that the President, after securing the written recommendation of the National Security Council, has determined in writing (incorporating the National Security Council recommendation) that the arrangement would substantially promote and would not endanger the common defense and security of the United States*, giving specific consideration to the security sensitivity of the restricted data involved and the adequacy and sufficiency of the security safeguards undertaken to be maintained by the recipient nation;" and

Section 5(*a*)(3):

"(3) *Prohibition.*—It shall be unlawful for any person to . . .;[4] or (*c*) directly or indirectly engaged in the production of any fission-

[3] The following ellipsis in the quotation appears in the source text of the annex.
[4] The ellipsis in the quotation appears in the source text of the annex.

able material outside of the United States except subject to the limitations and conditions contained in section 10(*a*)(3), as authorized by the Commission *upon a determination by the President that the common defense and security will not be adversely affected thereby.*"

Upon receipt of notice that you have acted favorably on this recommendation, the Commission will proceed immediately to consummate the proposed arrangement with the Canadians.

Respectfully yours, UNITED STATES ATOMIC ENERGY COMMISSION
Gordon Dean
*Chairman*

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Atomic Energy Files, Lot 57 D 688

*The British Ambassador (Franks) to the Secretary of State*

TOP SECRET WASHINGTON, December 26, 1951.

DEAR MR. SECRETARY: I am writing to you as Chairman of the Combined Policy Committee to thank you for the counter proposals which you put forward in September 1951 in response to our approach requesting facilities to test an atomic weapon at Eniwetok. As you know, Dr. Penney, who will be in charge of the U.K. test, came to Washington later in September to discuss them. His visit was extremely helpful to us and resulted in the drawing up of an agreed clarification and amplification of your counter proposals.

2. Dr. Penney returned to London on the 10th October and his report has since received very thorough consideration by the British authorities concerned. We are all very grateful for the efforts which you, the Department of Defence, and the Atomic Energy Commission have made to provide us with facilities for a test within the limitations imposed by your legislation—limitations which, as we fully recognise, restrict your freedom of action in cooperating with us on a test.

3. His Majesty's Government have now reluctantly come to the conclusion that despite the considerable work which went into the preparation of your offer and the evident good will which inspired it, we should proceed with our test in Australia. I hope you will not find this a disappointing answer to your offer after you have taken so much trouble on our behalf. Frankly our Ministers were faced with a perplexing decision. Our predilections were for carrying out our test in cooperation with you. On the other hand, you cannot provide facilities for the sort of test we really want, i.e. a shallow water burst. Furthermore, your counter proposals cannot provide for full cooperation and reciprocity in that they prohibit access by our scientists to U.S. restricted data. This is a difficult limitation for us, since in the nature of things we have no say in defining what constitutes "restricted data" or in interpreting the applicability of the definitions in

specific cases. We might therefore find ourselves faced with a situation where data which we would consider essential to a satisfactory test were denied to us by the use of this classification or by interpretation of it. Indeed if they were rigidly and strictly interpreted, certain provisions in your counter proposals could be most inhibiting to our ability to obtain from the test the results we require.

4. We cannot afford to make two alternative sets of preparations simultaneously—one for a test at Monte Bello and the other for a test in Nevada. Ministers therefore had to decide either to go to Australia or to accept your offer in Nevada subject to the element of uncertainty which we realise is inevitable. On the whole, therefore, they have felt that it will be wiser not to risk an unsatisfactory or partially unsatisfactory test and have decided for Australia.

5. We shall not be making any public statement about this decision and I would be grateful if the fact that you made us an offer for the use of your facilities and that we felt bound to decline it were regarded as Secret.

Yours sincerely, OLIVER FRANKS

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Atomic Energy Files, Lot 57 D 688

*The Deputy Counselor of the Embassy in France (Terrill) to the Special Assistant to the Secretary of State (Arneson)*

SECRET PARIS, December 28, 1951.

DEAR GORDON: In our recent conversation with the Ambassador,[1] you mentioned that further consideration might be given to the question of access by the United States to French sources of uranium. In this event, the following summary may be helpful.

1. You will recall that, on May 23, 1950, several weeks after the dismissal of Joliot-Curie, the Under Secretary wrote to the Ambassador requesting his opinion as to the feasibility of approaching the French Government, with particular reference to Morocco. The Ambassador replied, in substance, on June 22, 1950, that such an approach did not seem advisable under prevailing circumstances but that the Embassy would like to be kept advised of any discussions with General Juin.[2]

2. We had no further word from the Department on this matter for about a year, during which time a number of favorable developments occurred, including the revision of the French AEC statutes, the appointment of new Commissioners, and the achievement of close per-

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[1] Conversation not identified.

[2] General of the Armies Alphonse Pierre Juin, Commander-in-Chief of Allied Land Forces in Central Europe since September 1951; Resident General of Morocco, 1947–1951. The correspondence under reference is not printed. Documentation on United States policy with respect to Morocco is presented in volume v.

sonal contacts by Embassy officers with French officials who were beginning to exercise a new leadership in atomic energy policy. In Despatch No. 2748, dated March 28, 1951,[3] the Embassy summarized the existing situation from the standpoint of U.S. policy and explained in this context, that an approach to the French Government with regard to atomic energy materials would be an important and feasible element of a U.S. policy of "limited cooperation".

3. In your letter of April 13, 1951,[4] the Embassy's opinion was requested regarding the problems mentioned in paragraph 1 above, with particular reference to specific steps that might be taken to initiate arrangements with the French Government. The Embassy replied, on April 26, 1951,[4] outlining the current situation and favorable prospects for French cooperation. However, in view of certain experiences (Embassy Despatch No. 1148, Nov. 10, 1950),[4] the Embassy stated that General Juin would undoubtedly require instructions from the Foreign Office before taking a major policy decision of the kind in question. In this regard, we cited the evident fact that the Protectorate Government in Morocco is wholly subsidiary to the Foreign Office.

4. In June 1951, the foregoing matters were discussed with Mr. Jesse Johnson (see my letter of June 26)[4] and with Mr. Frank McQuiston on the occasion of their respective visits to Paris. The main conclusion was that, while an approach by the Embassy to the Foreign Office was an essential preliminary to any arrangement, it should be based on a specific, concrete proposition. We further thought that it might also prove desirable, depending on specific circumstances, for any private parties concerned to approach the local French officials of the overseas territory in question at the proper time. Finally, a number of suggestions were advanced by Johnson and McQuiston as to various inducements the U.S. might offer the French in connection with such approaches.

5. In a letter dated October 3, 1951,[4] the Department outlined the thinking of the AEC on the subject of access to Moroccan sources of uranium and requested the Embassy's comments as to the feasibility of negotiating a deal with Moroccan officials after clearance with an appropriate French Government official in Paris. Feeling that further speculation on this question would be of limited utility, the Embassy asked permission (Embtel 2143, Oct. 11, 1951)[4] to obtain the personal views of authoritative French sources. These views were reported to the Department in the Embassy's Despatch No. 1103,

[3] *Ante*, p. 704.
[4] Not printed.

dated October 22, 1951,[5] in which a Foreign Office official outlined the necessary procedures and expressed his views on the main considerations which the French Government would probably have in mind. The Embassy further reported (Embtel 2570, Oct. 31, 1951)[5] that the general principle of U.S. access had been endorsed by a highly placed official in the Foreign Office.

6. In the eighteen month period covered by the foregoing exchange of communications, the following important developments occurred with respect to the French AEC and French policy:

(*a*) The French AEC statutes were revised, and a new Commission consisting of non-Communists was appointed.

(*b*) The government introduced a Bill in Parliament declaring *inter alia* that private prospecting and production of uranium ores should be encouraged.

(*c*) A new Administrator, M. Guillaume, was appointed; a five-year program of reactor construction was agreed on by the Commission; and the question of security was brought to the fore in connection with a plan to eliminate Communist employees.

(*d*) The prospect of future German activity in the AEC field gave rise to considerable discussion among French officials who informed the Embassy of their apprehensions.

(*e*) The French-inspired project for a European Nuclear Research Laboratory successfully passed into the first active stage with the support of twelve Western European countries.

(*f*) U.S. alignment with the French position on the Moroccan question at the General Assembly session[6] helped to lessen the previous state of tension with regard to this territory which had increased following the transfer of General Juin and the appointment of General Guillaume as his successor.

The foregoing review suggests that the subject has been thoroughly explored with respect to the general issues involved and specific methods of approaching the French Government. It would also appear that the time is ripe for action by the U.S. inasmuch as the favorable circumstances that have prevailed for the past six months may not continue indefinitely. For example, an important official who has been most helpful to the U.S. in the atomic energy field is scheduled to leave Paris at the end of February for an assignment in another country.

The Embassy would be glad to be of any possible assistance to the Department in the event that renewed consideration is given to this matter.

Sincerely, Bob

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[5] Not printed.

[6] For documentation on this subject, see vol. II, pp. 135 ff.

# DISCUSSIONS WITH THE UNITED KINGDOM AND CANADA REGARDING THE DANGER OF GENERAL WAR WITH THE SOVIET UNION AND THE USE OF UNITED STATES BASES IN THE UNITED KINGDOM AND CANADA IN THE EVENT OF GENERAL WAR [1]

790.00/1-1451

*Memorandum of Conversation, by the Ambassador at Large (Jessup)*

TOP SECRET [WASHINGTON,] January 14, 1951.

Subject: Personal Message from Mr. Bevin [2] to Mr. Acheson

Participants: Sir Oliver Franks [3]
Ambassador Philip C. Jessup

Sir Oliver called at my house at ten o'clock this morning to ask me to deliver a message from Mr. Bevin to the Secretary. Sir Oliver is going to be up in Connecticut tomorrow to make a speech and did not wish to bother the Secretary today or to leave the matter over until Tuesday.[4]

He handed me a memorandum [5] which is a personal message from Mr. Bevin to the Secretary. He also read me a brief telegram of instructions to him which actually contained very little that is not in the note itself. He proceeded to interpret what he believed was in

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[1] For documentation on United States national security policy, including estimates of threats to the national security and the possibility of global war, see pp. 1 ff. For documentation on foreign policy aspects of U.S. development of atomic energy, including material on relations with the United Kingdom and Canada respecting exchange of information and allocation of resources, see pp. 685 ff. For documentation on the international control of atomic energy, see pp. 443 ff.

For documentation on possible use of atomic weapons in the Korean War, see volume VII. For information of relevance to the present compilation, see documentation on NATO in volume III, and documentation on Yugoslavia in volume IV. Documentation on U.S. political-military relations with the United Kingdom is also presented *ibid.* For documentation on aspects of U.S.-Canadian defense arrangements, see vol. II, pp. 870 ff.

For documentation on U.S. policy in 1950 with respect to the use of atomic weapons, see *Foreign Relations*, 1950, vol. I, pp. 126 ff.; *ibid.*, vol. III, pp. 1598 ff.; and *ibid.*, volume VII.

See also Richard G. Hewlett and Francis Duncan, *Atomic Shield, 1947–1952: A History of the United States Atomic Energy Commission*, vol. II (University Park, Pennsylvania, The Pennsylvania State University Press, 1969), and Margaret M. Gowing, *Independence and Deterrence: Britain and Atomic Energy, 1945–1952*, 2 vols. (London, Macmillan, 1974).

[2] Ernest Bevin, British Secretary of State for Foreign Affairs.

[3] British Ambassador in the United States.

[4] January 16.

[5] *Infra.*

Mr. Bevin's mind. The note has to do with the British anxiety arising from the fact that they are not familiar with our strategic air plans. Parliament is about to meet and this problem will affect the Government in the debate. They expect Churchill[6] to press the question whether HMG is fully informed about American plans and whether it will be consulted with regard to their execution. Sir Oliver said that he thought that what he would have said to the Secretary if he could have presented it personally was that Mr. Bevin is saying, "I'm worried and in trouble, and can you help me out?" Mr. Bevin had previously asked Sir Oliver for his advice regarding a personal appeal from Mr. Attlee[7] to Mr. Truman on this question; Sir Oliver had recommended against it and this appeal from Mr. Bevin to the Secretary was the outcome. Sir Oliver said that of course they would not tell Parliament even in a so-called secret session what the strategic plans were, but they did think it necessary to be in a position to say that HMG or their Chiefs of Staff are in touch with the Americans and that they will be consulted in regard to the execution of the plans. Sir Oliver said that Mr. Bevin did not want to be in the position of having Mr. Gifford[8] call him up some night and say, "Our planes are taking off in five minutes from your fields, do you mind?" Nor do they want to read in the papers some morning that something of this kind has happened. If they are informed concerning our strategic planning, only their Chiefs of Staff and the Prime Minister or Mr. Bevin would know anything about them.

Regarding the note itself, Sir Oliver said he thought the three opening sentences of the first paragraph were to be considered separate and apart from the rest of the note. These three sentences deal with the question which Sir Oliver raised with me the other day, namely the visit of Air Marshal Sir John Slessor to talk with the United States Chiefs of Staff particularly about operations in the Far East.[9] The British Government was inquiring whether, after the first round on a military basis, the two sets of Chiefs could meet with Sir Oliver and a representative of the State Department following the precedent of the Bradley–Tedder talks last July and October.[10] The rest of the note, including the last sentence in the first paragraph, has to do with the strategic air plans. Sir Oliver said he thought there was no wish to have him or a political representative participate in any discussions of this

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[6] Winston S. Churchill, British Prime Minister, 1940–1945; leader of the opposition in the House of Commons.

[7] Clement R. Attlee, British Prime Minister.

[8] Walter S. Gifford, Ambassador in the United Kingdom.

[9] Information on the visit of Air Marshal Sir John Slessor, British Chief of Air Staff, is included in documentation on United States relations with the United Kingdom in volume IV.

[10] For documentation on conversations between General of the Army Omar N. Bradley, Chairman of the Joint Chiefs of Staff, and Air Marshal Arthur Lord Tedder, Chief of the British Joint Services Mission in Washington, see *Foreign Relations*, 1950, vol. III, pp. 1686 ff.

subject. Personally, he did not expect to be informed about them and did not want to know about them. He said that he would suggest to Slessor, who was due to arrive this noon, that he should not raise the question of the strategic air plans until after lunch on Monday; the talks of the respective Chiefs are to begin tomorrow morning. He hoped that this would give time for any conversations on the American side before Slessor raised it.

Sir Oliver asked me to tell the Secretary that he would be available Tuesday morning and would be glad to come in to speak to him further about this matter. I gathered that he very much hoped the Secretary would ask him to come in.

I told him that I had passed on the word which he had given me previously about political participation in the military talks and expected to have some word tomorrow morning.

PHILIP C. JESSUP

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790.00/1-1451

*The British Secretary of State for Foreign Affairs (Bevin) to the Secretary of State*

TOP SECRET [WASHINGTON, January 14, 1951.]

As you will know, the Chief of Air Staff. Marshal of the Royal Air Force Sir John Slessor, will be going to Washington for talks next week with the U.S. Chiefs of Staff. I am asking Oliver Franks to keep in close touch with Slessor during his visit and I hope that, if the course of the talks makes it desirable, you will agree that Franks and a representative of the State Department should take part in any appropriate stage of the discussions in the same way as Doctor Jessup took part in talks in July and again in October. The main purpose of Slessor's visit is of course to talk about operations in the Far East. In view of the very grave situation with which we are faced, he will also wish to discuss strategic air planning which would be put into effect if we were involved in war.

The strategic air effort is of course a very important feature of our joint war plans, indeed one which may be vital to their success and to the survival of us all.

I fully understand the difficulties of the United States Administration in making known, even to their closest ally, plans which affect the use of the Atomic weapon, but His Majesty's Government also have their responsibility to Parliament and to the British people. The British people recognize that obligations will fall upon them from the part which they will have to play in any future war. They are being asked to shoulder fresh burdens in order to fulfil these obligations.

His Majesty's Government and the whole of the British people will be particularly concerned in any operation which may take place

from this country or which may be directed against it. We have agreed to the presence of U.S. bomber aircraft in this country. The course of discussion on this subject will be well known to you. I should, however, say that it was implied in the many talks I had with Ambassador Douglas[1] about this question that we should be consulted about any plans for the use of these aircraft. In fact that understanding has been the basis of our agreement to their presence here and to providing facilities for them as we have done.

As I conducted many negotiations with Douglas I feel a personal responsibility for making sure that no misunderstanding exists on the use to which the United States Air Forces in the United Kingdom might be put.

I cannot feel that I have discharged that responsibility while the British Government has no information as to the strategic plans in support of which these aircraft might be used at very short notice nor how far this plan accords with their own.

I hope therefore that you will agree upon the importance of full and frank discussion between our military representatives on the nature and implications of the strategic air plans. I do not see any reason why such talks should involve discussion of technical issues such as the manufacture of atomic weapons or methods of delivering them on targets. These issues are, I imagine, the ones which would cause you most difficulty.

Please forgive me for approaching you personally on this matter and adding to your other preoccupations, but I am sure you will understand the reasons why I attach so much importance to it.

[1] Lewis W. Douglas, Ambassador in the United Kingdom, 1947–1950.

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790.00/1–1451

*Memorandum of Conversation, by the Ambassador at Large (Jessup)*

TOP SECRET [WASHINGTON,] January 15, 1951.

Subject: Message from Mr. Bevin to the Secretary

Participants: Mr. Lovett[1]
General Omar Bradley
Mr. Matthews, G[2]
Mr. Jessup, S/A

In accordance with the Secretary's instructions Mr. Matthews and I called on Mr. Lovett at 11:30 this morning. Mr. Lovett asked General Bradley to join us. They both read my memorandum of conversation with Sir Oliver Franks on January 14th and the text of the personal message from Mr. Bevin to the Secretary which raised the question of

[1] Robert A. Lovett, Deputy Secretary of Defense.
[2] H. Freeman Matthews, Deputy Under Secretary of State for Political Affairs.

consultations about policy in the Far East and about our strategic air plans.

In regard to the question of the strategic air plans General Bradley said that they already had some talks with Tedder and other members of the British Mission in which they had given them some general indications without going into details which would violate our security requirements. He said he had always assumed that we could not operate out of British air bases unless the UK were in the war with us since otherwise we would be operating from neutral territory which was impossible. Mr. Lovett added that we could not use the British bases without British consent. There was general discussion of the impossibility of making formal commitments about consultation but it was agreed that it was quite reasonable for the British to insist upon some information. It was the common view that General Bradley might say to Slessor that in our planning regarding the use of bases in England we have assumed that if war came the UK would be in it with us. He might then give to Slessor such information about plans as he considered appropriate. It was felt that this could be done in such a way as to allow Attlee with a clear conscience to make to Parliament the kind of statement which he wished to make; that is that the British chiefs were in touch with our chiefs in regard to plans. Mr. Matthews stressed the point that this should be done in such a way as not to lead the British to expect that this would be formalized in a written agreement.

[Here follows discussion of the Far Eastern situation.]

PHILIP C. JESSUP

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790.00/1-1451

*Memorandum of Telephone Conversation, by the Ambassador at Large (Jessup)*

TOP SECRET [WASHINGTON,] January 16, 1951.

Subject: Message from Mr. Bevin to the Secretary

Participants: Sir Oliver Franks
Ambassador Philip C. Jessup

Sir Oliver spoke to me on the 'phone at eleven o'clock this morning to inquire whether I could tell him anything about the Secretary's reaction to the message from Mr. Bevin. I told him that I had hoped that he would have heard from Sir John Slessor the outcome of the matter even before we had an opportunity to tell him that he might expect an outcome which we hoped would be satisfactory. I indicated that I assumed this would have developed from the talks with Sir John Slessor with our Chiefs yesterday afternoon. He has not yet seen Slessor but expects to do so at noon today and will 'phone me if he has

any further questions. I told him he could appropriately report to Mr. Bevin that the Secretary had read the message sympathetically and had immediately taken action on it in the sense of initiating consultation at once with the others concerned, and that he hoped as a result of this Mr. Bevin would receive satisfaction.

PHILIP C. JESSUP

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611.41/1–2651

*Memorandum of Telephone Conversation, by the Ambassador at Large (Jessup)*

SECRET [WASHINGTON,] January 26, 1951.

Subject: Personal Message from Mr. Acheson to Mr. Bevin

Participants: Sir Oliver Franks, British Ambassador
Mr. Philip C. Jessup

I telephoned Sir Oliver this morning and referred to the paper which he had left with me on January 14. (This was a personal message from Mr. Bevin to the Secretary regarding the desire of the British that their Chiefs of Staff should be fully informed concerning our strategic air plans.) I said that I understood that the various conversations which had subsequently ensued had been satisfactory and that due to Mr. Bevin's illness [1] there had not been need for a formal reply. Nevertheless the Secretary wished to send a message to Mr. Bevin in reply and I would send it to him.[2] Sir Oliver indicated that he had talked with Lord Tedder and Sir John Slessor and believed that they were satisfied with the information they had received from our Joint Chiefs of Staff and that he had so reported to London.

PHILIP C. JESSUP

[1] Bevin resigned as Foreign Secretary on March 9 for reasons of health and died on April 14.

[2] *Infra.*

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611.41/1–2651

*The Secretary of State to the British Secretary of State for Foreign Affairs (Bevin)*[1]

TOP SECRET [WASHINGTON, January 26, 1951.]

I have given careful consideration to your message which Sir Oliver Franks delivered to us on January 14 and arrangements were made for appropriate discussions with Slessor on strategic air and on the

[1] The source text is accompanied by the following note over Jessup's typewritten signature:

"Dear Oliver: In accordance with our telephone conversation I am sending you the message from the Secretary to Mr. Bevin."

This note of transmittal to Ambassador Franks is dated January 26. Copies of the note and the message from Acheson to Bevin are also present in Lot File 53 D 470, a chronological collection of Jessup's correspondence and memoranda.

Far East. Also, as you know, General Bradley keeps in close touch with Lord Tedder and recently has had conversations with him about our strategic air plans. Furthermore, the British Military Mission in Washington is receiving full and complete briefings on the situation in the Far East.

It is my understanding, based on conversations between Franks and Jessup, that the discussions which have taken place meet the problem which you raised with me. I trust that when you receive full reports you will agree. I think that there is no reason why you or the Prime Minister should not now be in a position to make to Parliament the kind of statement you wish to make, which I understand is a reassurance that your chiefs are in close touch with ours with regard to air plans.

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711.5611/3-751

*The Chairman of the Joint Congressional Committee on Atomic Energy (McMahon) to the Secretary of State*

TOP SECRET [WASHINGTON,] March 7, 1951.

DEAR MR. SECRETARY: A question has been raised within the Joint Committee on Atomic Energy as to whether or not the United States has made any commitment to any other nation which might serve to delay the employment of U.S. atomic weapons after the President had decided in his own mind that he wished to use them. Specific reference was made to General Dwight D. Eisenhower's position as Supreme Commander of NATO forces, and the possibility of his status as the agent of an international group bearing upon the immediate execution of a unilateral American decision in the atomic weapons field.

I think I already know the answers to these questions. But for the Joint Committee records, I would be grateful if you could make a statement indicating whether or not any commitment to any other nation might bring about delay in the employment of American atomic weapons beyond the point in time at which, in the absence of the commitment, the President would cause this use.

Thank you indeed for your assistance.

Sincerely yours, BRIEN MCMAHON

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711.5611/3-751

*The Secretary of State to the Chairman of the Joint Congressional Committee on Atomic Energy (McMahon)*

TOP SECRET [WASHINGTON,] March 14, 1951.

MY DEAR SENATOR MCMAHON: I refer to your letter of March 7, 1951, in which you state that a question has arisen as to whether or

not the United States has made any commitment to any other nation which might serve to delay the employment of U.S. atomic weapons after the President had decided in his own mind that he wished to use them, with particular reference to the bearing that the position of General Eisenhower as Commander of the NATO forces might have in this regard. Your letter requests a statement from me indicating whether or not any commitment to any other nation might bring about delay in the employment of American atomic weapons beyond the point in time at which, in the absence of the commitment, the President would cause this use.

I wish to assure you that no such commitment exists, and further, that the appointment of General Eisenhower as Commander of the NATO forces has not brought into being any such commitment.

In view of the sensitive nature of this problem in existing circumstances, I consider that this exchange of correspondence should be classified Secret.

Sincerely yours, DEAN ACHESON

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711.56342/4–751

*Memorandum of Conversation, by the Special Assistant to the Secretary of State (Arneson)*[1]

TOP SECRET [WASHINGTON,] April 7, 1951.

Subject: Atomic Activities at Goose Bay [2]

Participants: The Canadian Ambassador, Hume Wrong
George Ignatieff, Canadian Embassy [3]
R. Gordon Arneson, S/AE, Department of State

Mr. Arneson called on the Canadian Ambassador at the latter's request at the Embassy on Saturday, April 7, 1951, 11:30 a. m. The Ambassador said that he had now heard from his Government concerning the problem of Goose Bay which Mr. Arneson had put to him some weeks before. The communication he had received was from Mr. A. D. P. Heeney, Under Secretary of State for External Affairs, which he was instructed to pass on to me orally. The substance of the Canadian views is as follows:

The Canadians have no difficulty in agreeing to any preparatory work that needs to be done at Goose Bay to put it in readiness for

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[1] R. Gordon Arneson was Special Assistant to the Secretary for Atomic Energy Affairs.

[2] The Royal Canadian Air Force Station at Goose Bay, Labrador, had been used by U.S. forces since its construction during World War II. Negotiations were in progress in 1951 for the United States to lease portions of the base; see vol. II, pp. 870 ff.

[3] George Ignatieff, Counselor, Canadian Embassy.

Strategic Air Command activities, up to and including the preparation of storage facilities and the deployment to Goose Bay of non-nuclear components. The Canadians are quite prepared to have these activities handled on a regular interservice basis. The handling of the nuclear cores is, however, another matter. The Canadians do not feel that the deployment and storage of cores or complete weapons should be permitted on a routine interservice basis.

In three situations involving nuclear cores, namely, storage of cores at Goose Bay, over-flight of Canada with complete weapons or nuclear cores alone, and strikes with atomic weapons taking off from Goose Bay, the Canadians feel they should be consulted through civil channels. It was suggested that the channel should be from the State Department to the Canadian Ambassador, who in turn would be in touch with the Minister of External Affairs or the Prime Minister.

The Canadians are anxious that whatever procedures are established they occasion no delay in the event speedy action is required. In case of an atomic Pearl Harbor it is recognized that the United States would have no choice but to move immediately, and it was the Canadian Ambassador's view that his Government would not wish in any way to obstruct the prompt carrying out of retaliatory strikes.

The Canadian Ambassador, reading from his communication from Under Secretary Heeney, suggested that an exchange of notes on this subject might well tie the arrangements in to the obligations that have been assumed by the NATO countries to the general effect that each has a common obligation to assist the United States in carrying out its strategic air operations and that member nations should lend appropriate facilities to this end.

The Canadian Ambassador had apparently gained the impression from private talks with Sir Oliver Franks that the British Prime Minister feels that he has a commitment from President Truman for consultation on the use of atomic weapons. In response to this assertion, Mr. Arneson stated that the commitment we have to the British is contained in the Joint Communiqué of December 8, 1950.[4] Whatever might have passed between the President and the Prime Minister in private talks prior to the issuance of the Joint Communiqué, the language of that document represented the last and, therefore, the authoritative statement on the matter. Mr. Arneson went on to say that the British had been interested in learning more about our strategic plans and that the appropriate authorities in the United States had been able to meet their wishes in this regard. After the Truman–

[4] For the text of the Joint Communiqué of December 8, 1950, issued by President Truman and Prime Minister Attlee, see Department of State *Bulletin*, December 18, 1950, pp. 959–961. Documentation on the conversations between Truman and Attlee, December 4–8, 1950, may be found in *Foreign Relations*, 1950, vol. III, pp. 1698 ff.

Attlee talks, Slessor had come over and in discussions with General Bradley had been given an appreciation of U.S. strategic plans. The Department of State understood that these talks had been satisfactory to the British. Mr. Arneson expressed the personal view that the problem of consultation might best be met in a broader context of frequent exchanges of view on the developing world situation, that the crucial question was not the use or non-use of atomic weapons per se but whether a situation was developing or had developed which foreshadowed or had brought about a state of general war with the Soviet Union. He felt that there was a wide spectrum of interpretation that could be given to the word "consult" and he was confident that the United States could not accept an interpretation which was synonymous with, or bordered on, "consent." It was pointed out that the Congress has taken a very active interest in the question whether the United States has entered into any commitments with other countries which would serve in any way to delay the implementation of a decision by the President that atomic weapons should be used. It would seem that the most fruitful line of exploration would not be on the narrow question of use or non-use of atomic weapons but whether means could be found whereby Canada, the United Kingdom, and the United States could be in frequent touch with each other as to general world developments vis-à-vis the Soviet Union.

The Ambassador said that if the United States found any real difficulty in going along with the line that had been suggested to him by his Government, he would suggest that the most expeditious way of moving the matter forward might be for discussions to be had between the Secretary of State and the Minister of External Affairs.[5] Mr. Arneson stated that he would, of course, discuss the Canadian views with the Secretary and Mr. Matthews as soon as possible and be in touch again during the following week.

[5] Canadian Secretary of State for External Affairs Lester B. Pearson.

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711.56342/4-1251

*Memorandum of Conversation, by the Special Assistant to the Secretary of State (Arneson)*

TOP SECRET [WASHINGTON,] April 12, 1951.

Subject: Atomic Activities at Goose Bay

Participants: The Canadian Ambassador, Hume Wrong
George Ignatieff, Canadian Embassy
R. Gordon Arneson, S/AE, Department of State

Mr. Arneson called on the Canadian Ambassador at the former's request on Thursday, April 12, 1951, 11 a. m. Mr. Arneson inquired

whether, in the light of what the Ambassador had stated during the discussion on the previous Saturday, it would be fair to assume that in the event it was decided to deploy non-nuclear components to Goose Bay for storage in the near future this could be done even though the final arrangements had not been made on a notification and/or consultation procedure. The Ambassador responded that he was confident that if such a deployment were desired before final arrangements were made Canadian consent would be readily forthcoming. He hoped if such a request were put upon them, however, they would be given adequate advance notice through diplomatic channels. Mr. Arneson stated that he was very glad to have a positive response on this point and would, of course, endeavor to provide maximum prior notice.

Mr. Arneson told the Ambassador that since their last talk he had had an opportunity to discuss the matter with the Secretary, the Deputy Under Secretary, and the Director of the Policy Planning Staff,[1] and wished to confirm that the views he had expressed previously, both as regards the position concerning relations with the British in this matter as contained in the Joint Communiqué of December 8, 1950, and as regards how best to meet the problem of consultation with the Canadian Government. Briefly those views were as follows:

1. The only commitment we have to the British as regards consultation is contained in the Joint Communiqué of December 8, 1950. Whatever might have passed between the President and the Prime Minister in private talks prior to the issuance of the Joint Communiqué, the language of that document, which was approved by the President, represented the last and, therefore, authoritative statement in the matter.

2. The problem of consultation might best be met in a broader context of frequent exchanges of view on the developing world situation. The crucial question was not the use or non-use of atomic weapons per se but whether a situation was developing or had developed which foreshadowed or had brought about a stage of general war with the Soviet Union. There was a wide spectrum of interpretation that could be given to the word "consult" and the United States could not accept an interpretation which was synonymous with, or bordered on, "consent." The Congress had taken a very active interest in the question whether the United States had entered into any commitments with other countries which might serve in any way to delay the implementation of a decision by the President that atomic weapons should be used. It would seem that the most fruitful line of exploration would not be on the narrow question of use or non-use of atomic weapons, but whether means could be found whereby Canada, the United Kingdom, and the United States could be in frequent touch with each other as to general world developments vis-à-vis the Soviet Union.

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[1] Paul H. Nitze.

Mr. Arneson went on to say that study was being given in the Department as to whether a program of frequent examination of existing and prospective world situations might be worked out with the United Kingdom and Canada. While it was too early to know what the exact nature and scope of such a program might be, it would probably be preferable not to have the discussions tripartite in nature but rather to arrange for separate talks with Canada on the one hand and the United Kingdom on the other. In response to a question from the Ambassador, Mr. Arneson stated that it was clearly contemplated that such a program of consultation on existing and developing world situations would be through diplomatic channels with military participation as necessary or desirable.

The Ambassador said he could see how the foregoing would have a direct bearing on the general problem of the use of atomic weapons in war but he wondered how it related to the problem of preparatory activities at Goose Bay for purposes involving over-flight of Canada with atomic weapons and strikes from this base with atomic weapons in the event of war. Mr. Arneson stated that from the point of view of the United States Government it was hoped that Canada might be able to give consent to the use of Goose Bay for the purposes that had been indicated, subject to (*a*) maximum notification, and (*b*) frequent discussions as to estimates of existing and prospective world conditions which might or might not indicate the necessity for the use of atomic weapons. In connection with the latter point, Mr. Arneson explained that such discussions would be designed to provide ample opportunity for full appreciation of each other's point of view, it being recognized of course that no estimates of the situation are likely to possess finality. The Ambassador stated that he could not himself see any difficulty arising in connection with a final decision as to use of Goose Bay for initial strikes with atomic weapons in the event of the outbreak of general war with the Soviet Union, particularly if this were brought about by the Soviets launching an atomic Pearl Harbor, or in other situations where it was clear that general war was inevitable. He felt that the greatest difficulty lay in prior deployments into Canadian territory of complete atomic weapons.

At this juncture, Mr. Ignatieff suggested that it might be useful if he were to draw up an initial paper setting forth the arrangements that might meet the points of view that had been expressed. The Ambassador agreed that this might be the best way to advance a solution to the problem. Mr. Arneson welcomed the suggestion, but emphasized the importance of keeping the matter fluid and on a quite informal basis for the present. He reminded the Ambassador that he would be out of town for a period of approximately ten days beginning on April 14 and suggested that if in this period the Ambassador

felt further discussion was desirable or timely he might be in touch with Mr. Matthews to whom Mr. Arneson would report the views that had been expressed at this meeting.

In conclusion, the Ambassador stated that he had favored for some time a meeting between Secretary Acheson and Foreign Minister Pearson either in Ottawa or in Washington. It had not been convenient to arrange such a meeting in the past, but he hoped that there might be a number of things that could be usefully discussed between them and that such a meeting called ostensibly for other reasons might afford an opportunity for some finalization of arrangements on this subject. Among the reasons that might be cited for a meeting would be consultation prior to the convening of a CFM.

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PPS Files, Lot 64 D 563 [1]

*Paper Prepared by Mr. Carlton Savage, Member of the Policy Planning Staff* [2]

TOP SECRET [WASHINGTON, April 12, 1951.]

CIRCUMSTANCES UNDER WHICH THE UNITED STATES WOULD BE AT WAR WITH THE SOVIET UNION: USE OF ATOMIC WEAPONS

*Atomic Weapons.* The joint communiqué of December 8, 1950, states that President Truman told Prime Minister Attlee it was his desire to keep the Prime Minister informed at all times of developments which might call for the use of atomic weapons.[3] This has been informally extended to apply also to the Canadians.[4]

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[1] Files of the Policy Planning Staff of the Department of State, 1947–1953.

[2] The following note from Savage to Paul H. Nitze, Director of the Policy Planning Staff, is attached to the source text: "This redraft was made after you gave your views to John Davies and me. I hope it includes all the points you mentioned." John Paton Davies was also a member of the Policy Planning Staff.

[3] Documentation on the conversations between President Truman and Prime Minister Attlee, December 4–8, 1950, is presented in *Foreign Relations*, 1950, vol. III, pp. 1698 ff. For text of the Joint Communiqué of December 8, 1950, see Department of State *Bulletin*, December 18, 1950, pp. 959–961.

[4] The State Department informed the Canadian Embassy on December 9, 1950, that the Canadian Government was in this respect in the same position as the United Kingdom Government. This assurance was recorded in an Agreed Minute of June 14, 1951, prepared by the Canadian Embassy and approved by Secretary of State Acheson and Canadian Secretary of State for External Affairs Lester B. Pearson (p. 853); no other record has been found in the Department of State files. The assurance was made in response to a Canadian memorandum, "Views of Canadian Government on Possible Use of Atomic Weapons in the Far East," December 6, 1950, not printed, which stated Canada's opposition to the use of atomic weapons in the Korean conflict. The memorandum asserted that the Canadian Government had a particular interest in the matter because of Canada's participation, with the United States and the United Kingdom, in tripartite cooperation for the development of resources and scientific knowledge relating to atomic energy; and urged that "before a decision of such immense and awful consequence, for all of us, is taken, there should be consultation among the governments principally concerned." (S/AE Files, Lot 68 D 358)

There is no other existing U.S. understanding with foreign governments respecting the use of atomic weapons; the Congressional Joint Committee on Atomic Energy has been informed that there are no commitments to other governments limiting the President's freedom to order the use of atomic weapons. There is unanimous agreement in this Government that the President's authority to order the use of atomic weapons whenever this action is considered necessary, should be in no way limited by commitments to others.

By statute the power to decide on the use of atomic weapons rests with the President. Responsibility for advising the President as to the military desirability of use rests primarily with the Joint Chiefs of Staff and the Secretary of Defense. Responsibility for advising the President as to the political effects of the use of atomic weapons rests primarily with the Secretary of State.

The statement in the joint communiqué of December 8 does not bind the President to obtain prior British agreement to their use. It does not even bind us to consult with Britain concerning their use. But it does indicate the President's desire to keep Britain informed "at all times" of developments which might call for the use of atomic weapons. In other words, we should keep in continuous touch with the British concerning respective estimates of existing and developing situations which might call for their use, but we must make no commitments whatever restricting the President's freedom to order their use.

While the atomic weapon is in some respects just another weapon in our national arsenal, its psychological impact is so great that use of it would doubtless precipitate general war, if war were not already under way. We are unlikely to use it, therefore, unless the vital security interests of the United States compel us to enter into general war with the Soviet Union. Any possible exceptions will be discussed below.

If we accept the thesis that we are unlikely to use atomic weapons except in case of general war we should, in the letter and spirit of the statement of December 8, direct discussions with the British toward the broader problem of "developments" which would bring about general war, thus subordinating the atomic problem. It can generally be assumed that the vital security interests of the United Kingdom are akin to those of the United States; that developments which would jeopardize the survival of one country as a free nation would likewise jeopardize the other. The discussions should help form a common view as to what conditions and situations would compel the two nations to accept a Soviet challenge of war. These are set out in the following paragraphs.

*Acts of Force and State of War.* In considering this subject it is well to bear in mind that force may be employed by one nation against another, and yet no state of war be declared. We are engaged in large-

scale military operations against Chinese communist forces in Korea, but we are not attacking the China mainland and a state of war has not been declared between the United States and China. There can also be isolated acts of force, which do not necessarily produce a state of war. An example is the shooting down of an American naval plane in the Baltic by Soviet airmen.[4] In brief, acts of force do not bring about a state of war unless a government commits them with the intent of war or the government against which they are directed elects to consider them as bringing it about. The intent of the parties is the determining factor.

*Atlantic Treaty.* In case of a Soviet armed attack on the territory of the United States there would be no question of the intent of the attackers, and the existence of a state of war would be declared immediately by the Congress as in the case of the Japanese assault at Pearl Harbor. We would use all weapons at our disposal including atomic bombs. We would not fight alone in this situation, as Article 5 of the Atlantic Treaty would become operative. Each of the other signatories would be committed to "assist" the United States by taking "such action as it deems necessary, including the use of armed force, to restore and maintain the security of the North Atlantic area."

Article 5 of the Atlantic Treaty would also become operative: (1) in case of a Soviet attack on the territory of Canada or a European party to the Treaty; (2) in case of a Soviet attack on American, British, or French occupation forces in Germany or Austria and on American or British forces in Trieste; and (3) in case of a Soviet attack on vessels or aircraft in the North Atlantic area of any of the signatories. However, it is implicit that the aggrieved parties are free to determine in any case of alleged attack whether the attack is within the contemplation of the Treaty. Obviously certain acts might be regarded as border incidents; or punitive acts, as when the Soviet forces shot down the American plane in the Baltic. If the circumstances of the attack left no doubt that it came within the terms of the Treaty, a state of war between the United States and the Soviet Union would undoubtedly be declared by the Congress, and we would use all weapons in our arsenal including atomic bombs.

There are, as indicated above, innumerable contingencies under which a Soviet attack could bring the Atlantic Treaty into operation. A Soviet air attack on Britain or the launching of an extensive Soviet military attack in Germany are examples. On the other hand, there are possibilities of Soviet punitive or retaliatory acts or "border incidents" which would be identifiable as such and would not make the

[4] For information on this incident, which occurred on April 8, 1950, see *Foreign Relations*, 1950, vol. IV, pp. 1140 ff.

Treaty operative. The important question would be whether the Soviet act was such as to make the Treaty operative, and not the subordinate question whether the United States should resort to the use of atomic weapons.

*Berlin.* The Foreign Ministers of the United States, Great Britain and France agreed on September 19, 1950,[5] that their governments should take the following steps to maintain their position in Berlin: (1) reaffirm that counter-blockade measures against Soviet interference with Berlin transport would be taken; (2) request the North Atlantic Treaty countries to cooperate in such counter-blockade action; (3) in the event of an armed attack from whatever source, defend Berlin by force, bring the relevant portion of the North Atlantic Treaty into effect, and present the issue to the United Nations.

It is difficult to visualize a Soviet attack in Berlin, or anywhere else in Germany, that would not constitute an attack on American, British, or French occupation forces. This act would presumably come within the contemplation of the Atlantic Treaty, if it were not a mere punitive act by Soviet forces. Whether we would use atomic weapons against the U.S.S.R. in this instance would depend on whether we thought general war was forced upon us. If we did, we would use atomic weapons against the Soviet Union and possibly against Soviet troop concentrations and bases in East Germany and Poland. But if the Soviet act appeared to be punitive in nature, it is possible that the conflict would be kept localized and we would refrain from using atomic weapons.

An NSC paper is now being prepared on U.S. policy with regard to a possible new Berlin blockade.[6]

*Vienna.* It has been tentatively determined in NSC 73/4 of August 25, 1950,[7] that if the Soviet Union should impose a blockade of Vienna the establishment of a full-scale airlift would be militarily unsound and impracticable under existing conditions; and that the United States should implement existing policy to the extent feasible, utilizing a partial airlift to be established by the United States, United Kingdom and any other nations able and willing to contribute.

In the event of a Soviet armed attack on any of the Western occupation forces in Vienna, the situation would be essentially as discussed above in paragraph 2 under "*Berlin*".

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[5] For documentation on the meetings of the Foreign Ministers of the United States, the United Kingdom, and France at New York, September 12–19, 1950, see *Foreign Relations*, 1950, vol. III, pp. 1108 ff.

[6] For documentation on United States interest in the question of Berlin, see vol. III, pp. 1828 ff.

[7] For text of NSC 73/4, a report titled "The Position and Actions of the United States With Respect to Possible Further Soviet Moves in the Light of the Korean Situation." August 25, 1950, see *Foreign Relations*, 1950, vol. I, p. 375. For specific documentation on the Soviet threat to Vienna, see *ibid.*, vol. IV, pp. 367 ff.

*Greece.* It has been determined in NSC 103/1, approved by the President on February 15, 1951,[8] that a Soviet or satellite attack against Greece would threaten U.S. security interests and so increase the danger of global war that the U.S. should assist in opposition to the attack in the manner and scope to be determined in the light of circumstances at the time, including the following general courses of action: (1) place itself in the best possible position to meet the increased threat of global war; (2) seek, by political measures to stop aggression, localize the action, and restore the *status quo;* (3) provide such military matériel and deploy such forces to the general area as can appropriately be made available without jeopardizing the security of the United States or areas of greater strategic importance to the United States; (4) urge other nations to take similar action, including appropriate measures in the U.N. and N.A.T.O.

. . . . . .

*Turkey.*[9] In the event of a Soviet attack against Turkey, it has been tentatively determined in NSC 73/4 that the United States should provide accelerated military assistance to Turkey and deploy such U.S. forces to its support as can be made available without jeopardizing our national security. Furthermore, we should urge Britain and France to give full support under the Anglo-French-Turkish Mutual Assistance Pact, and make every effort to obtain the support of Turkey by the Moslem world. This consideration would presumably apply in the case also of a satellite attack.

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*Iran.* It has been determined in NSC 107, approved by the President March 24, 1951,[10] that in case of overt attack by organized Soviet military forces against Iran, the United States would have to proceed on the assumption "that global war is probably imminent" and immediately: (1) seek, by political measures, to localize the action, to stop the aggression, to restore the *status quo*, and by direct diplomatic action and resort to the U.N., to insure free world unity if war nevertheless follows; (2) consider a direct approach to the highest Soviet leaders; (3) place itself in the best possible position to meet the increased threat of global war; (4) consult with selected allies to perfect coordination in plans; (5) while minimizing U.S. military commitments in areas of little strategic significance, take action in this critical area best contributing to the implementation of U.S. national war plans.

There would be no Soviet satellites involved in this situation. If the United States attacked Soviet military forces in Iran or Soviet

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[8] For text of NSC 103/1, "The Position of the United States With Respect to Greece," a report of February 14, 1951, see volume v.

[9] For documentation on U.S. relations with Turkey, see *ibid.*

[10] For text of NSC 107, "The Position of the United States With Respect to Iran," a report of March 14, 1951, see *ibid.*

territory with either conventional or atomic weapons this would probably mean the inception of global war.

*Japan, Korea and Communist China.*[11] In case of a Soviet attack on Japan or an overt Soviet attack upon U.S. forces in Korea, the United States undoubtedly would react by taking military action against the Soviet Union. Whether we would attack Soviet forces and territory in the Far East alone, in order to keep the conflict localized, or in Europe as well, would depend on the circumstances of the time. If we should feel there was a possibility of keeping the conflict localized we would probably not use the atomic weapons; otherwise, we almost certainly would.

It is the policy of the United States not to permit itself to become engaged in a general war with communist China. However, in case of a substantial Chinese communist air attack on U.S. forces in Korea, or in case of a Chinese communist attack on U.S. forces in the Formosa area or anywhere else along the China periphery, the United States would probably launch an air attack and possibly undertake naval operations against some part of the mainland of China. Atomic weapons would probably not be used as there are almost no appropriate atomic targets in China, except possibly three or four in Manchuria, and to use them would help unite the Chinese people against the United States. The U.S. attack on China might well bring the Soviet Union to the assistance of communist China under the terms of the Sino-Soviet Treaty of Alliance.[12] Whether we would thereupon attack Soviet forces and territory in the Far East alone, in order to keep the conflict localized, or in Europe as well, would depend on the circumstances of the time.

In case it might be possible to keep the conflict localized in any of these instances, The Congress would probably not declare the existence of a state of war; otherwise, it almost certainly would. We would have no allies committed to come to our assistance. If as a consequence of our attacking the Soviet Union, Soviet air attacks were made on the United States the Atlantic Treaty signatories might conclude that they were not obligated to come to our assistance by furnishing military aid and base facilities, because the Soviet attack was in retaliation for U.S. action.

*Conclusions.* The above contingencies are some of those which might arise to bring about general war. There may be variations of these; there may be others; and there may be "fuzzed-up" situations, such as the employment of Soviet "volunteers" in Korea. Furthermore, there

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[11] For documentation on U.S. concern regarding the possibility of the outbreak of general war in the Far East, see vol. VI, Part 1, pp. 777 ff. and volume VII.

[12] For text of the Treaty of Friendship, Alliance, and Mutual Assistance between the USSR and the Chinese People's Republic, signed at Moscow on February 14, 1950, see *United Nations Treaty Series* (UNTS), vol. 226, pp. 5–9 and 12–17, or *American Foreign Policy, 1950–1955: Basic Documents* (Washington, Government Printing Office, 1957), vol. II, pp. 2463–2465.

is a possibility of a series of Soviet and satellite peripheral attacks, any one of which might not be serious enough to set off general war but the combined effect of which might make it unavoidable. While we cannot beforehand predict the precise nature of situations which may arise, through the continuing discussions with the British, we shall have established machinery and tentative conclusions which should help in determining the implications for our two countries of menaces that may develop.

In discussions with the British we must make no commitments restricting the freedom of the United States to use atomic weapons whenever we consider their use necessary. In turn, we can expect no British commitment, beyond that contained in the Atlantic Treaty, to go to war with us against the Soviet Union in future contingencies. What we can hope to do by continuing discussions is to identify situations of common menace to the security of the two nations. If we can do this, common action should follow.

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PPS Files, Lot 64 D 563

*Draft Memorandum by the Special Assistant to the Secretary of State (Arneson)*[1]

TOP SECRET [WASHINGTON,] April 24, 1951.

*The Problem*

1. To outline the procedures to be followed in the event the President is called upon to decide whether atomic weapons should be used.

*Background*

2. The Atomic Energy Act of 1946, which vests in the Atomic Energy Commission ownership of all fissionable material, provides that

> ". . . the President from time to time may direct the Commission (1) to deliver such quantities of fissionable materials or weapons to the armed forces for such use as he deems necessary in the interest of national defense . . ."

3. On September 10, 1948, the Executive Secretary submitted a report to the National Security Council on United States Policy on Atomic Warfare (NSC/30).[2] This report dealt with the feasibility of formulating at that time policies regarding the use of atomic weapons. The analysis stated "the United States has nothing presently to

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[1] This draft was prepared in connection with efforts by a working group consisting of representatives of the Department of State, the Department of Defense, and the United States Atomic Energy Commission to develop an agreed staff study. The results of this project did not receive interdepartmental approval. For additional information, see Hewlett and Duncan, p. 539.

[2] For text of NSC 30, see *Foreign Relations*, 1948, vol. I, Part 2, p. 624.

gain, commensurable with the risk of raising the question, in either a well-defined or an equivocal decision that atomic weapons should be used in the event of war." On the other hand, it was pointed out that in the absence of an established and acceptable system of international control of atomic energy, this Government should make no commitment which would deny it the right to employ such weapons in the event of actual hostilities. The report came to the following conclusions which were subsequently adopted by the National Security Council on September 16, 1948:

"12. It is recognized that, in the event of hostilities, the National Military Establishment must be ready to utilize promptly and effectively all appropriate means available, including atomic weapons, in the interests of national security and must therefore plan accordingly.

"13. The decision as to the employment of atomic weapons in the event of war is to be made by the Chief Executive when he considers such decision to be required."

In view of the adoption of these conclusions no action was taken at that time (*a*) to obtain a decision either to use or not to use atomic weapons in any possible future conflict, or (*b*) to obtain a decision as to the time and circumstances under which atomic weapons might or might not be employed.

4. In the course of the last two years it has become established practice for atomic energy matters requiring Presidential decision, which affect the Departments of State and Defense and the Atomic Energy Commission, to be referred to the Special Committee of the National Security Council on Atomic Energy for consideration and such recommendations as it sees fit to make to the President. This procedure was underscored by letter of the President dated August 25, 1950,[3] which stated in part as follows:

"I am asking that the Committee of the National Security Council on Atomic Energy, which consists of Chairman of the Atomic Energy Commission, Secretary of State, and Secretary of Defense, pass on the directives which I have to make, that affect all three of those Departments. I informed the Secretary of State of the action which had been taken, and instructed the Secretary of Defense that these actions must be considered by this Committee of the National Security Council before I shall approve any further actions. In that way everybody interested will know exactly what is going on."

The occasion for the foregoing statement arose in connection with the strategic deployment of non-nuclear components to overseas areas, a preparatory action approved by the President which did not include authority to use atomic weapons.

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[3] The quotation below represents the substance of a letter from President Truman to Gordon E. Dean, Chairman of the United States Atomic Energy Commission, August 25, 1950 (United States Atomic Energy Commission Files).

549-782—79——53

5. The Quebec Agreement of August 19, 1943, governing collaboration among the United States, the United Kingdom, and Canada in the field of atomic energy provided, among other things, that "we [the United States and the United Kingdom] [4] will not use it [the atomic bomb] against third parties without each other's consent." [5] The Quebec Agreement was superseded by a *Modus Vivendi* adopted on January 7, 1948, which specifically provided that "All agreements between the three governments or any two of them in the field of atomic energy shall be regarded as null and of no effect." [6] Certain exceptions were made but none of them relate to the question of use of atomic weapons. The *Modus Vivendi* contains no language relating to this question. The Joint Communiqué issued at the end of the Truman–Attlee talks on December 8, 1950 stated: "The President stated that it was his hope that world conditions would never call for the use of the atomic bomb. The President told the Prime Minister that it was also his desire to keep the Prime Minister at all times informed of developments which might bring about a change in the situation."

6. As to the United Nations aspects of the problem the following developments have occurred. By overwhelming vote both at its 1948 and its 1949 sessions the General Assembly of the United Nations has approved the plan for international control of atomic energy as developed by the United Nations Atomic Energy Commission.[7] Only the Soviet Union and its satellites have stood in the way of unanimous agreement. For its part, the Soviet Union has put forward proposals which offer no basis whatever for effective control. During the General Assembly in the Autumn of 1950, a move by the Soviet Union to secure UN approval of a resolution which would brand the first user of atomic weapons as a war criminal was roundly defeated. As a counter to this move, the General Assembly approved, on November 17, 1950, a resolution which stated, among other things, that it was indispensable for the realization of lasting peace and security, that every nation agree "to accept effective international control of atomic energy, under the United Nations, on the basis already approved by the General Assembly, in order to make effective the prohibition of atomic weapons." It reaffirmed that "whatever the weapons used, any aggression, whether committed openly, or by fomenting civil strife in the interests of a foreign power, or otherwise,

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[4] Brackets throughout this document appear in the source text.

[5] For full text, see *Foreign Relations*, The Conferences at Washington and Quebec, 1943, pp. 1117–1119.

[6] For text of the *Modus Vivendi*, see *Foreign Relations*, 1948, vol. I, Part 2, p. 683.

[7] Documentation on efforts to achieve international control of atomic energy, 1946–1951, is included in compilations on United States policy with respect to the regulation of armaments, which appear in volume I of the *Foreign Relations* series for each year.

is the gravest of all crimes against peace and security throughout the world." It determined that it is indispensable for the realization of lasting peace and security "that joint united action be taken to meet aggression wherever it arises." [8]

7. On several occasions within the past two years the President has publicly stated that he is prepared to make a decision as to the use of atomic weapons when circumstances so require. On April 6, 1949 he stated: ". . . if it [a decision to use the atomic bomb] has to be made for the welfare of the United States, and the democracies of the world are at stake, I would not hesitate to make it again." [9] On November 30, 1950 the President stated:

"Consideration of the use of any weapon is always implicit in the very possession of that weapon.

"However, it should be emphasized, that, by law, only the President can authorize the use of the atom bomb, and no such authorization has been given. If and when such authorization should be given, the military commander in the field would have charge of the tactical delivery of the weapon." [10]

8. It is recognized that responsibility for advising the President as to the military desirability of the use of atomic weapons, as is the case with any other weapon in our national armory, rests primarily with the Joint Chiefs of Staff and the Secretary of Defense. Responsibility for advising the President as to the political effects of the use of atomic weapons rests primarily with the Secretary of State. By law, the power to decide on the use of atomic weapons rests with the President.

9. Once a decision is made that atomic weapons should be used, the President will give the necessary directives to the Secretary of Defense and the Chairman of the Atomic Energy Commission for implementation. Procedures exist for a rapid turnover of atomic weapons from the custody of the Atomic Energy Commission to the custody of the Department of Defense.

10. However, the means whereby the President may receive promptly the advice of the Departments of State and Defense and the Atomic Energy Commission need to be identified.

*Analysis*

11. Unless there is an initial determination by the Joint Chiefs of Staff that the use of atomic weapons in a given situation is militarily

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[8] For text of the Soviet draft resolution, October 23, 1950, see Department of State, *Documents on Disarmament, 1945–1959* (Washington, Government Printing Office, 1960), vol. I, pp. 248–250. For text of General Assembly Resolution 380 (V): Peace Through Deeds, November 17, 1950, see *ibid.*, pp. 260–261. For documentation on these drafts, see *Foreign Relations*, 1950, vol. II, pp. 303 ff.

[9] The President made this statement during an address to new Democratic Senators and Representatives, Washington, April 6, 1949. For text, see *Public Papers of the Presidents of the United States: Harry S. Truman, 1949*, p. 197.

[10] For the text of the White House press release quoted here, see *ibid., 1950*, p. 727, footnote 3.

desirable, it is difficult to see how the question of such use can arise in any realistic way. In the event that pressures build up for the use of atomic weapons in other quarters, it would appear that the first question which would require answering is whether such use is militarily desirable. Accordingly, the matter should originate with, or be referred to, the Joint Chiefs of Staff.

12. In the event a recommendation for use is made by the Joint Chiefs of Staff, the military reasons for the recommendation, and the intended employment, should be stated.

13. When a recommendation for use is made by the Joint Chiefs of Staff, the President will want, in addition to the views of the Joint Chiefs of Staff, the views of the members of the Special Committee on the political, military, and technical considerations involved.

14. If time and circumstances permit, the Congress would pass and the President would approve a Joint Resolution "declaring war", before atomic weapons were employed. In the past such resolutions have provided: (1) that the state of war between the United States and the _____ Government which has been thrust upon the United States is hereby formally declared; (2) that the President is authorized and directed to employ the entire military forces of the United States and the resources of the Government to carry on war against the _____ Government; and (3) that to bring the conflict to a successful termination "all of the resources of the country are hereby pledged by the Congress of the United States." A resolution in these terms would clearly authorize the President to use atomic weapons and any other weapons he considered necessary to bring the conflict to a successful termination.

15. However, atomic weapons are uniquely suited for surprise and possibly decisive attacks, without warning and without formal declaration of war by the enemy. In case of a surprise attack upon the United States, it would be necessary, in the interest of national defense, to launch an immediate atomic counter-attack. In such event, the President would take action under his constitutional powers as Commander-in-Chief, consulting with appropriate leaders of the Congress at the earliest possible moment. In contingencies short of a surprise attack upon the United States, the President will doubtless want to consult appropriate Congressional leaders before making a decision.

*N.B.:* It is not intended that the procedures set forth in the conclusions which follow should await last minute developments which may require immediate decision in the midst of inevitable confusion and uncertainty. It is thought that the need for decisions as to use of atomic weapons will more probably grow out of a period of increasing tensions. In such circumstances it is expected there will be time in which the President, by means of the procedures outlined below, can secure from the Departments and agencies of Government most directly concerned tentative conclusions and

recommendations concerning the use of atomic weapons in the light of existing and emerging situations.

*Conclusions*

1. In making any decision regarding the use of atomic weapons, it is considered that the President will want, at minimum, the views of the following officials:

(*a*) The Chairman of the Joint Chiefs of Staff
(*b*) The Secretary of Defense
(*c*) The Secretary of State
(*d*) The Chairman of the Atomic Energy Commission

2. Any recommendation to the President regarding the use of atomic weapons by the Armed Services should initially be made by, or be referred to, the Joint Chiefs of Staff in view of their "statutory responsibility as the principal military advisers to the President, the National Security Council, and the Secretary of Defense." In presenting their views the Joint Chiefs of Staff should:

(*a*) Set forth the factors that were taken into account in arriving at its recommendation.
(*b*) Identify, in general terms, the intended employment of the weapons.

3. Before the President makes a final decision, in order to provide him with a means for obtaining a full exposition of the factors involved from the officials listed in (1) above and in view of the statutory responsibility of the National Security Council to "advise the President with respect to the integration of domestic, foreign, and military policies relating to the national security," a meeting of the President with the Special Committee of the National Security Council on Atomic Energy, together with the Chairman of the Joint Chiefs of Staff, should be convened to consider any recommendation by the Joint Chiefs of Staff regarding the use of atomic weapons.

4. Except in case of an attack upon the territory of the United States, consultation with Congressional leaders should take place before a decision to use atomic weapons is implemented.

5. Additional procedures to be discussed at this meeting should include the extent, nature, and timing of consultations with, notifications to, or requests for action by

(*a*) Other departments and agencies of the Government (the other members of the National Security Council, the Cabinet, Civil Defense, etc.)
(*b*) The American people
(*c*) Other governments and the United Nations

6. In the event of a positive decision, the President will direct the Chairman of the Atomic Energy Commission to relinquish custody of all or a specified number of atomic weapons to the armed forces and will direct the Secretary of Defense to take custody of all or a specified

number of atomic weapons for use under such conditions as may be specified.

*Recommendation*

That this staff study be made available to the President, the Secretary of State, the Secretary of Defense, and the Chairman of the Atomic Energy Commission for their consideration.

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700.5611/5-451

*Memorandum of Conversation, by the Director of the Policy Planning Staff (Nitze)*

TOP SECRET [WASHINGTON,] May 4, 1951.

Participants: Sir John Slessor
Mr. Matthews
Mr. Nitze

Mr. Nitze asked Sir John whether he had as yet given to General Bradley a copy of the report by the British Chiefs of Staff on atomic warfare.[1] Sir John said that he had not. He had felt that, in view of the political implications of the paper, Sir Oliver should first take it up with the Secretary of State and then follow such procedure as he might suggest. Mr. Nitze said that we had looked at the paper and felt that it would be appropriate for either Sir John or Air Marshal Sir William Elliot[2] to make it available immediately to General Bradley and let him know that Sir Oliver had made a copy available to Mr. Acheson. Sir John said that he agreed completely with the suggestion and would do so forthwith.

Mr. Nitze said that we had a few questions with respect to the paper. The first one dealt with the Far East. Mr. Nitze asked whether the British contemplated a further paper on China. Sir John said that they did not. Mr. Nitze indicated that he thought that we would have questions to discuss with the British regarding Japan and the possibility of overt Russian intervention in Korea.

Sir John referred to paragraph 13(*d*) and said that he read it to imply that any major overt use of Russian forces would amount to the start of global war.

Mr. Nitze pointed out that the section on Japan gave a contrary impression. Sir John said that he felt that the point was well taken and that they would have to give further consideration to this problem.

Mr. Nitze referred to the language in paragraphs 4 and 36(*e*) and said that, although we thoroughly agree with the desirability and

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[1] The British paper, a 22-page document dated February 22, 1951, is not printed. It set forth tentative conclusions regarding the possible forms of Communist aggression during the following two years which might necessitate the initiation of atomic warfare by the United States with the support of the United Kingdom. (S/AE Files, Lot 68 D 358)

[2] Chief of the British Joint Services Mission in Washington.

necessity of clear and frank discussions on the subject matter of this paper, we thought that we should keep within the framework of the language of the communiqué following the Truman–Attlee talks. Sir John said that he understood the point, and felt that as close a meeting of the minds as possible should be arrived at in order to avoid the type of confusion which existed at Lake Success in the case of Chinese aggression.[3] He also inferred that a more formal agreement might be desirable in view of His Majesty's Government's responsibility to Parliament and the necessity of being absolutely clear on the use of British bases.

Mr. Matthews asked whether it was Sir John's opinion that Norway and Denmark would themselves desire that forceful action be taken in the event of an attack on Finmark or Bornholm. Sir John said that this had never been discussed with either Norway or Denmark but that he, personally, was inclined to agree with Mr. Matthews that there was doubt as to whether they themselves would desire such action.

The subject of Yugoslavia also was discussed. Sir John indicated that a paper on the subject was before the British Chiefs but had not yet been acted upon. He also gave the substance of a conversation he had had with a Yugoslav officer who had indicated complete confidence that the satellites would not dare attack Yugoslavia. The officer had been rather vague on the assistance which Yugoslavia would desire in the event of a Russian attack other than to indicate that Yugoslavia would desire air support, but would not expect ground support.

[3] Documentation on action at the United Nations with respect to the Chinese role in Korea is included in volume VII.

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711.56342/5–751

*Memorandum of Conversation, by the Special Assistant to the Secretary of State (Arneson)*

TOP SECRET [WASHINGTON,] May 7, 1951.

Subject: Atomic Activities at Goose Bay

Participants: The Canadian Ambassador, Hume Wrong
George Ignatieff, First Secretary,[1] Canadian Embassy
R. Gordon Arneson, S/AE, Department of State

Mr. Arneson called on the Canadian Ambassador at the latter's request at 4 p.m. today. The Ambassador had received word from Ottawa to the following effect:

Canada would very much welcome having an opportunity to engage in frequent discussions on developing world situations as they relate to

[1] Counselor, Canadian Embassy.

the use or non-use of atomic weapons. Ottawa would prefer in the interests of saving the time of busy people and of a fuller exchange of ideas if such discussions were set up on a tripartite basis.

Over and above such general discussions directed toward an analysis of world situations which might or might not lead to the use of atomic weapons, Canada also desires to be consulted as much in advance as possible in the following cases:

1. Storage of nuclear cores at Goose Bay.
2. Over-flight of Canada with nuclear cores or complete weapons.
3. Atomic weapon strikes from Goose Bay.

Canada is prepared to recognize now the necessity for an exception to the above; in the event of Soviet armed attack anywhere on the North American continent Canada is prepared to agree in advance that the United States should launch immediate retaliation by any and all means and from any and all available bases.

As to the deployment of non-nuclear components to Goose Bay and over-flight of Canada by planes carrying non-nuclear components, Canada is prepared to have such activities carried out at any time, subject to maximum notification. Details of actual flights, number of participating aircraft, etc., can be handled through regular interservice channels.

Mr. Arneson said that the Canadian proposals appeared promising but that he would, of course, need to have further discussions in the Department before he would be in a position to say what the United States reactions would be. He expressed the view that periodic discussions on developing world situations which might or might not call for the use of atomic weapons should provide the Canadian participants in such talks with the necessary background with which to consider any future proposal by the United States that nuclear components or completed weapons be stored at Goose Bay, flown over Canada, or employed in air strikes from Goose Bay. It was his hope that such discussions would help to identify with particularity those situations which, if they occurred, would call for prompt preparatory actions on the part of the United States and/or for offensive atomic strikes. The Canadian Ambassador felt that arrangements for periodic discussions would go a long way toward bringing about Canadian agreement to the storage of nuclear components and strikes from Goose Bay if and as necessary. He did not feel that the Canadian desire for consultation in the above cited instances would serve as a cause of delay. Such consultations, he felt, would be part of the process of decision rather than an obstacle in the way of carrying out a decision once made by the President.

The Ambassador inquired whether it would be thought appropriate for him to talk with Sir Oliver Franks about these matters. He said he had refrained from doing so up until now and would not do so unless the United States were agreeable. Mr. Arneson stated that he

did not know what the Department's current thinking was on the question whether discussions should be on a tripartite or a bilateral basis. He recalled that the earlier thinking was that the latter should be the case. Until he had had a chance to clarify this he suggested that the Canadian Ambassador hold off any discussions with Sir Oliver Franks.

In connection with Mr. Arneson's visit to Chalk River[2] later on in the week, it was suggested that he should stop over in Ottawa Saturday morning, May 12, and meet with the appropriate Canadian officials dealing with this problem. The Ambassador thought that the Canadians would want Mr. Pearson to sit in as well as Under Secretary Heeney. Mr. Arneson expressed the view that this would be a very useful thing to do and would be at the disposal of the appropriate Canadian officials Saturday morning. He hoped that he would be in a position to state rather more definitive views to the Canadians by that time.

[2] Chalk River was the site of the Canadian NRX reactor.

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711.56342/5–1251

*Memorandum of Conversation, by the Special Assistant to the Secretary of State (Arneson)*

TOP SECRET [OTTAWA,] May 12, 1951.

Subject: Atomic Activities at Goose Bay

Participants: Mr. A. D. P. Heeney, Under Secretary of State
Mr. N. A. Robertson, Secretary to the Cabinet in the Office of the Privy Council
Mr. R. A. MacKay, Director, Defense Liaison Division, Department of External Affairs
Mr. James George, Secretary of the Advisory Panel on Atomic Energy, Department of External Affairs
Mr. George Ignatieff, First Secretary,[1] Canadian Embassy
Mr. R. Gordon Arneson, S/AE, Department of State

Mr. Arneson met with the above named Canadian officials at their request on Saturday morning, May 12, in Mr. Heeney's office. In order to place the problem in proper focus, Mr. Arneson recalled that a decision by the United States to use atomic weapons could be made only by the President. He pointed out further that it had become established practice for Presidential authorization to be secured before non-nuclear and/or nuclear components could be turned over by the Atomic Energy Commission to the Department of Defense whether for training purposes or for strategic deployment. In making such decisions the Presi-

[1] Counselor, Canadian Embassy.

dent, as a matter of established procedure, obtained the advice and recommendations of the Secretary of State, the Secretary of Defense, and the Chairman of the Atomic Energy Commission. Mr. Heeney was glad to have these facts confirmed.

The discussion turned to the question of a "canopy" arrangement. Mr. Heeney stated that in considering this problem his people had thought it might be useful if the Canadians could now give assurance that in the event of one clear contingency, namely a Soviet armed attack on any part of the North American continent, Canada would be prepared to have the United States use Goose Bay for retaliatory atomic strikes without any requirement for prior consultation or even notification if this proved impractical. Mr. Arneson stated that this point of view was very helpful and would seem to represent a self-evident position. He inquired, however, whether it was not equally logical to expect that Canada would be prepared to have Goose Bay used for atomic strikes in the event the United States decided such action was called for as a result of an armed Soviet attack on one or more of the NATO countries. Mr. Heeney felt that Canada should be able to agree now that in such a contingency the United States should be able to proceed without delay to use Goose Bay for such purposes. Mr. Arneson then inquired what view the Canadian authorities would take toward an additional identifiable contingency, namely Soviet armed attack on U.S. forces wherever situated. Mr. Heeney stated that this would pose very grave political difficulties for the Canadian Government. He felt that if Canada were asked to agree now to the use of Goose Bay for atomic activities in such a contingency, the answer would necessarily be "no." He felt that it would be in the common interest of the two countries not to put such a question in terms of asking for a clear cut answer. This led Mr. Arneson to raise the question whether an attempt to specify categories in clear terms might prove to be the wrong way to approach the problem. He expressed the view that a more fruitful avenue might be to employ the vehicle of periodic discussions between the Canadian Ambassador in Washington and appropriate officials in the Department directed toward a mutual examination of developing world situations as the means of giving meaning and content to the term "consultation". If, in frequent discussions of this sort, the two Governments were able to secure a mutual appreciation of the thinking of the other, would this not go a long way toward meeting the Canadian desire to be consulted in these matters, while at the same time avoiding the danger inherent in trying to spell out with precision the various contingencies and variations thereon in which Canada would be prepared or not to grant prior permission to use Goose Bay? Mr.

Heeney apparently had not thought of the suggested discussions in quite these terms and rather hesitated to comment. Mr. Robertson, however, supported the suggestion made by Mr. Arneson, pointing out that he hoped that it would be possible to avoid a situation where the United States would be asking for prior consent such as in the example given, namely a Soviet attack on U.S. troops wherever situated, which could only result in a negative answer from the Canadians. He felt that the way out of this difficulty would lie in using the discussion mechanism as a means of bringing the collective thinking of the two Governments together on current and continuing appraisals of world situations as they might give rise to a decision concerning the use of atomic weapons. He felt that discussions of the sort proposed would go a long way toward reassuring the Canadian Government on the question of consultation.

Concerning the procedures to be followed in the suggested discussions, Mr. Arneson stated that he hoped that the Canadian representatives could agree that the discussions be held on a bilateral basis. He said it was the view of the Department that this would be the most useful way to proceed. While it was recognized that the Canadians had a tentative preference for a tripartite arrangement, the United States hoped that Canada would not feel it necessary to insist on this point. Mr. Heeney responded that while their initial preference had been for a tripartite discussion, he was sure that Canada would be quite willing to accede to U.S. wishes in this matter. It was left that the possibility of eventual tripartite talks should not be precluded but that in any event the talks should be initiated on a bilateral basis. For their part, the Canadians intended to have Hume Wrong represent them without any other official present. Mr. Arneson stated that the most logical person on the U.S. side would in all probability be Mr. Nitze, although both the Secretary and the Deputy Under Secretary, Mr. Matthews, would be available and would be glad to sit in from time to time as might be desirable. It was evident from the discussion that the Canadians would hope that such talks would be arranged on a periodic basis, say for example once a week. They were particularly anxious that their Ambassador not be placed in the position of having to ask for such meetings. Mr. Arneson stated that he was confident that every effort would be made to hold such discussions on a regular basis although in his own mind it seemed more important that the discussions be as frequent as developing circumstances might require; although if Canada preferred regularity, he was confident this could be worked out and that an invitation would be extended to the Ambassador in the near future.

Mr. Arneson stated that he had been rather puzzled by what appeared to be a rather sharp distinction in Canadian thinking between

problems of deployment and/or over-flight of Canada with non-nuclear components on the one hand and nuclear components on the other. He inquired what the basis for such distinction might be. Mr. Heeney stated that they looked upon the deployment of nuclear components as perhaps an indication that the world temperature was rising. Mr. Arneson stated that he thought there were some technical considerations involved which might help to put this aspect of the matter in perspective. There was more inherent danger to life and property in the jettisoning of the non-nuclear component than in the case of the nuclear cores. If it were necessary to jettison a non-nuclear component, standard operating procedures called for a detonation in midair at an altitude which would be relatively harmless although windowpanes in the surrounding countryside would be broken. On the other hand, nuclear components were by themselves inherently non-dangerous. In the event of a malfunctioning of an aircraft carrying a nuclear component, there was no danger that the nuclear core would explode. Under present procedures, the Air Force would never over-fly friendly territory with a completed weapon. . . .

Mr. Arneson hoped that the Canadians would be able to make a clear distinction in their thinking between preparatory action involving deployment of non-nuclear and/or nuclear components on the one hand and a decision to use atomic weapons on the other. He pointed out that it may be decided from a technical point of view that it would make more sense to have completed weapons deployed than the non-nuclear components alone. . . . The argument has been made that non-nuclears should not be deployed alone but that it would be desirable to have both parts of the weapon stored together at any given location. He wished to stress this essentially technical argument because in the event that a decision were taken by the President in this direction it should be recognized that a deployment of nuclear cores would not necessarily bear any direct relation to U.S. estimates of the imminence of the need to use them. Mr. Heeney expressed considerable interest in this explanation and stated that he recognized the force of the argument.

From the hour and a half discussion the following tentative conclusions were reached.

1. Informal discussions should be initiated as soon as possible between appropriate officials in the Department of State and the Canadian Ambassador designed to examine on a continuing basis the respective appreciations of the two Governments of developing world situations as they bear upon the question whether general war is imminent and whether decisions must be taken to use atomic weapons. It was agreed that such talks should be on a bilateral basis and that it would be desirable that they be held regularly, say once a week,

with provision for *ad hoc* emergency meetings if circumstances required.

2. That the United States would continue to use the diplomatic channel for informing Canada of any proposed action to over-fly Canada with non-nuclear and/or nuclear components and to store non-nuclear and/or nuclear components at Goose Bay.

3. An attempt at this time to spell out with particularity contingencies in which Canada could now consent to the use of Goose Bay for atomic strikes did not appear to be a fruitful approach. While not precluding the possibility that this might be done in the future, it would be better to initiate the discussions indicated in 1 above to see whether such discussions might provide an appropriate method and degree of consultation concerning possible contingencies while avoiding a negative Canadian response, if pressed now to give advance approval for the use of Goose Bay for atomic strikes in those contingencies which the Canadians do not presently regard as clearly calling for atomic retaliation.

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S/AE Files, Lot 68 D 358 [1]

*Memorandum by the Chairman of the Joint Chiefs of Staff (Bradley) to the Director of the Joint Staff (Davis)*

TOP SECRET WASHINGTON, 16 May 1951.

The attached paper, which is in substance a study made by the British Joint Chiefs of Staff on atomic warfare,[2] was handed to me this date by Air Chief Marshal Elliot. Elliot emphasized that this paper is nothing but a basis for discussion with us, and is in no way to be considered as his Government's policy in the matter. This is the only copy which Marshal Elliot has, but he has authorized us to reproduce it in sufficient quantity to distribute to our Chiefs and Deputies for discussion purposes.

As further background, this matter was first broached to our Government last summer. This particular paper was discussed by Ambassador Franks with Secretary Acheson a few days ago.[3]

Air Chief Marshal Elliot expressed the hope that after we have discussed the matter we would see fit to make a similar study which would serve us as a basis for discussion with them at an early date on a political-military level.

I suggest, therefore, that you make a very limited distribution of this study and then let me have this original back so I can return it to Air Chief Marshal Elliot.

O[MAR] N. B[RADLEY]

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[1] Files relating to atomic energy policy matters for the years 1950–1967, maintained initially by the Office of the Special Assistant to the Secretary of State for Atomic Energy Affairs and later by the Office of Deputy Assistant Secretary of State for Politico-Military Affairs.

[2] The British paper, dated February 22, is not printed.

[3] No record of the conversation has been found in Department of State files.

PPS Files, Lot 64 D 563

*Memorandum by Mr. Carlton Savage, Member of the Policy Planning Staff*[1]

TOP SECRET [WASHINGTON,] May 23, 1951.

POSSIBILITIES OF WAR WITH THE SOVIET UNION, 1951–52: USE OF ATOMIC WEAPONS

The atomic weapon is in some respects just another weapon, but its destruction of life and property is so extensive and its psychological and political impact so great that it is unlikely to be used except in global war. The use of the atomic weapon by either the United States or the Soviet Union would foreshadow global war or follow upon its initiation. It is inconceivable that there would be global war without its use, at least during the next two years, because the Soviet Union has such a preponderance in conventional weapons we would need it to have any possibility of winning.

The United States is the only nation ever to use atomic weapons in war. When we used them, no other nation had them and consequently there was no possibility of retaliation in kind. Now with atomic weapons in the possession of the Soviet Union, if we use them, they will almost certainly be used against us, with the possibility of extensive civilian casualties and much of our industrial plant damaged. Furthermore, our allies would be likely targets for atomic attack, particularly those in whose territory we have air base rights.

We are aware that the decision to use atomic weapons is a fateful responsibility. We shall enter into war with the Soviet Union with the consequent use of atomic weapons only if our vital security interests are threatened, only if Soviet action presents an unacceptable threat to our existence as a free nation and to the existence of other free nations.

It is of course essential that U.S. public opinion be behind the Government in a global (atomic) war, not only for support in the war effort but because civilians in the United States will face unprecedented hardships and destruction. For like reasons, it is also of incalculable importance that public opinion in allied countries be with us. The measure of support at home and abroad will depend on the extent to which it is realized that we have entered into global war only as a consequence of Soviet action which presents an unacceptable menace to free nations.

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[1] The following note from Nitze to Matthews, dated May 25, accompanies the source text: "The attached memorandum has been prepared as possible background for the meeting this afternoon with Ambassador Wrong. I have not yet had an opportunity to go over it but it has been gone over by Mr. Arneson and embodies some of his suggestions. We have not yet consulted with the Military concerning it, therefore it must be considered a tentative draft." For the record of the meeting with Ambassador Wrong, see *infra*.

The moral aspect of the use of atomic weapons was touched upon during the 1950 meeting of the United Nations General Assembly. A move by the Soviet Union to secure approval of a resolution which would brand the first user of atomic weapons as a war criminal was overwhelmingly defeated. The General Assembly instead passed a resolution of November 17 stating that "whatever the weapons used, any aggression . . . is the gravest of all crimes against peace and security throughout the world." With that resolution we are in agreement. This does not mean that we would use atomic weapons indiscriminately. We would make every effort to avoid needless destruction of civilians both from a humanitarian point of view and also to keep from alienating the support of Russians who might be hostile to the Kremlin and who might be induced to engage in active or passive resistance against it. We must realize, however, that most appropriate atomic targets, except tactical, are in or near large cities and therefore extensive loss of civilian life may be unavoidable.

By statute, the power to decide on the use of atomic weapons rests with the President. Responsibility for advising the President as to the military desirability of use rests primarily with the Joint Chiefs of Staff and the Secretary of Defense. Responsibility for advising the President as to the political effects of the use of the atomic weapon rests primarily with the Secretary of State. To the extent that time permitted, the President would doubtless consult with Congressional leaders before a decision to use atomic weapons was implemented. With an enemy having a stock of atomic bombs available, we cannot expect a Congressional debate on whether there shall be a declaration of a state of war as there was in 1917, because of the notice it would give the enemy.

There are no U.S. commitments to other governments limiting the President's freedom of action to order the use of atomic weapons. The joint communiqué of December 8, 1950, states that President Truman told Prime Minister Attlee it was his desire to keep the Prime Minister informed at all times of developments which might call for the use of atomic weapons. This has been informally extended to apply also to the Canadians. As we should need to use British and Canadian bases for atomic strikes in case of global war, we should keep in touch with the British and Canadians concerning respective estimates of existing and developing situations which might call for the use of atomic weapons. In the letter and spirit of the communiqué of December 8, our discussions with them should be directed toward the broader problem of "developments" which would bring about general war, thus subordinating the atomic problem. The discussions should help form a common view as to what conditions and situations would compel the three nations to accept a Soviet challenge of war. Through these discussions we should have established machinery and tentative conclusions

which would help in determining the implications for the three nations of menaces that might develop. If we can identify situations of common menace, common action should follow. It can generally be assumed that the vital security interests of the United Kingdom and Canada are akin to those of the United States; that developments which would jeopardize the survival of one as a free nation would likewise jeopardize the others.

The atomic weapon stands today as a principal deterrent to war. The Kremlin must be convinced that our stockpile is many times greater than theirs. Realizing that we have a fleet of effective long-range bombers and that we have the use of air bases enabling these bombers to reach any part of the Soviet Union, the Kremlin knows that in spite of the defenses it may develop, a large number of atomic bombs would reach their destination in Soviet territory. The people of the Soviet Union, in the face of a devastating atomic attack, would realize that their Government was unable to protect them from huge loss of life and property. This possibility, together with the possibility that atomic war would seriously damage the apparatus of the Kremlin's dictatorship, must make the Kremlin realize that such a war would jeopardize its chance of retaining absolute power in the Soviet Union and in the areas now under its control. Even though the Soviet Union would inflict great damage on the United States in an atomic attack now and greater damage as its stockpile increases, our ever-present retaliatory threat is making the Kremlin careful to avoid any move which it believes might bring on global war and consequent atomic devastation to the Soviet Union.

There has been a suggestion that before we use atomic weapons and if possible before the Soviet Union commits itself to any action which we should have to regard as a *casus belli*, the Kremlin should be presented an ultimatum giving it an opportunity to withdraw from the situation it is creating. Such an ultimatum would be in effect a statement to the Soviet Union that if it did not do as requested, we would enter into a state of war against it. If the President should issue such an ultimatum he could be considered to be trespassing on the Constitutional prerogative of the Congress to declare war. Although he might be able to meet the spirit and intent of the Constitution by consulting with Congressional leaders before issuing the ultimatum, this procedure is not well suited to our form of government. Furthermore, as mentioned in the immediately preceding paragraph, the mere existence of our stockpile is a constant warning to the Soviet Union to weigh carefully any move it might make which would bring on global war and consequent atomic devastation. This so-called warning could be supplemented from time to time by such statements as

that by the President of July 19, 1950, that those who have it in their power to unleash or withhold acts of armed aggression must realize that "new recourse to aggression in the world today might well strain to the breaking point the fabric of world peace." [2] There could also be diplomatic representations to the Soviet Union along this same line.

This argument does not necessarily mean that we should never resort to the device of an ultimatum, but that we are unlikely to find it feasible or desirable.

If the Kremlin decides on general war, it may attempt to force us to take the initiative against the Soviet Union, as this course would not only strengthen the will to resist of the Russian people but would also confuse public opinion in the West to an extent that might even split the Atlantic alliance. In such a situation we would doubtless be placed in a position where we would use atomic weapons before they were used by the Soviet Union. But we must also be prepared for the fact that the Soviet Union may use atomic bombs against us in a surprise attack. The advantage of surprise to the Kremlin could outweigh from its point of view the advantages which would accrue to it by putting us in a position where we would use atomic weapons first. We can be sure that the Kremlin would never hesitate in first use of atomic weapons, if such a course would fit its design, in spite of all its propaganda for branding as a war criminal the nation first to use atomic weapons.

*Atlantic Treaty.* In considering the situations under which this Treaty would become operative, it should be borne in mind that force may be employed by one nation against another, and yet no state of war be declared. We are engaged in large-scale military operations against Chinese communist forces in Korea, but we are not attacking the China mainland and a state of war has not been declared between the United States and China. There can also be isolated acts of force, which do not necessarily produce a state of war. An example is the shooting down of an American naval plane in the Baltic by Soviet airmen. In brief, acts of force do not bring about a state of war unless a government commits them with the intent of war or the government against which they are directed elects to consider them as bringing it about. The intent of the parties is the determining factor.

A Soviet armed attack on the territory of the United States would leave no doubt of Soviet intent. In the ensuing war, the existence of which would be declared by the Congress, we would of course use atomic weapons. Article 5 of the Atlantic Treaty would become opera-

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[2] This statement appears in the President's Special Message to the Congress Reporting on the Situation in Korea, July 19, 1950; for text, see *Public Papers of the Presidents of the United States: Harry S. Truman, 1950*, pp. 527–537.

tive, under which an armed attack against one or more of the parties in Europe or North America shall be considered an attack against them all. Each of the other signatories would be committed to assist the United States by taking "*such action as it deems necessary*, including the use of armed force, to restore and maintain the security of the North Atlantic area." The armed attack and all measures taken as a consequence would be reported immediately to the United Nations, according to the terms of the Treaty.

Article 5 would also become operative: (1) in case of a Soviet attack on the territory of Canada or a European party to the Treaty; (2) in case of a Soviet attack on American, British, or French occupation forces in Germany or Austria and on American or British forces in Trieste: and (3) in case of a Soviet attack on vessels or aircraft in the North Atlantic area of any of the signatories. In these three categories there are innumerable contingencies under which the Atlantic Treaty might come into operation. However, it is implicit that the Parties are free to determine in any case of attack whether the attack is within the contemplation of the Treaty. Obviously certain acts might be regarded as border incidents; retaliatory acts; or punitive acts, as when the Soviet forces shot down the American plane in the Baltic, and Article 5 would not become operative. The circumstances of the attack might leave no doubt of Soviet intent, as for instance an air strike on Britain, and Article 5 would apply. A state of war between the United States and the Soviet Union would undoubtedly be declared to exist by the Congress, and we would use atomic weapons.

*Finnmark.* In case of Soviet armed penetration into this area of Norway, which clearly amounted to the opening move in a general conflict, Article 5 of the Atlantic Treaty would become operative and there would doubtless be a Congressional declaration of a state of war. If the Soviet move were less than this, there would be occasion for consultation under Article 4 of the Atlantic Treaty which provides that the Parties will consult together whenever the territorial integrity, political independence, or security of any of them is threatened. Furthermore, the case should be brought before the United Nations. Simultaneously, there would be localized military action by non-atomic means to deal with this aggression.

*Bornholm.* Soviet occupation of this Danish island, if clearly an isolated Soviet action, would call for consultation under Article 4 of the Atlantic Treaty, and this case of aggression would be brought before the United Nations.

*Germany.* A Soviet attack on Berlin, or any part of West Germany, would almost certainly amount to an attack on American, British, or French occupation forces. In fact, the Foreign Ministers of these three

countries announced in a September 1950 communiqué that their Governments would treat an attack against the Federal Republic or Berlin from any quarter as an attack upon themselves. Whether we would use atomic weapons against the Soviet Union in this instance would depend on whether we judge the Soviet act to mean that general war was forced upon us. If so, Congress would doubtless declare the existence of a state of war, and we would use atomic weapons against the Soviet Union and possibly on Soviet troop concentrations and other appropriate targets in Germany, Poland and other satellites. But if the Soviet attack appeared to be purely local, our troops would make a stand with non-atomic weapons and we would endeavor to keep the conflict localized. In either event the relevant portions of the North Atlantic Treaty would come into effect, and the case would be presented to the United Nations.

*Austria.* In case of a Soviet attack on Austria, the situation would be similar to that resulting from an attack on Germany, except that the allies have taken no public position on Austria as they did in the 1950 communiqué on Germany.

*Finland.* This country does not constitute a strategically vital area and a Soviet attack on it alone would not be a valid cause for global war. The case would however, be presented to the United Nations. We should take a vigorous stand against this Soviet aggression which if unchallenged would embolden the Kremlin to make further aggressive moves.

*Yugoslavia, Greece, Turkey.* These three states are of great importance to us in the struggle against Soviet imperialism. They constitute a formidable bastion against aggression in the eastern Mediterranean area. Their combined military strength in being is greater now than that of all the European members of the Atlantic Alliance. Furthermore, if war is forced upon us we may desire from their area to mount an offensive against the Soviet Union.

A satellite attack on Yugoslavia would clearly increase the likelihood of global war. We would furnish military equipment to Yugoslavia, and possibly military (air) support. In case of a satellite attack alone or with covert Soviet assistance, the conflict might be kept localized. We would probably not make atomic or other attacks on Soviet territory. Although there would be appropriate atomic targets in Czechoslovakia and Rumania, we might, but probably would not, use atomic weapons against them. In case of a Soviet and satellite attack on Yugoslavia global war would probably eventuate. Thereupon we would use atomic weapons on Soviet, and possibly satellite targets. The important question in these instances would be localization or generalization of conflict; the use of atomic weapons would depend largely on the answer to this question. In these cases there

would probably be consultations under Article 4 of the Atlantic Treaty, and the issue would be presented to the United Nations.

In the event of an attack on Greece, the situation would be similar to that arising from an attack on Yugoslavia. However, our military and political reactions in this case might be more vigorous as Greece is a non-communist country, is culturally and politically aligned with the West, and is closely associated with the United States as a consequence of our economic and military aid programs of the past four years.

Aggression against Turkey would most likely take the form of outright Soviet attack, as there are no satellites convenient for the purpose. All-out Soviet attack would almost certainly result in global war. In this event, Congress would doubtless declare its existence, and we would use atomic weapons. In case Soviet military action against Turkey was of a limited nature, we would furnish military equipment to Turkey and possibly some military support. We would endeavor to keep the conflict localized, and as long as there was hope of this we would not enter into a state of war or use atomic weapons. At the moment of the initial Soviet attack on Turkey, all-out or limited, the case would be presented to the United Nations and there would be consultations under Article 4 of the Atlantic Treaty.

*Iran.* An outright Soviet military attack on Iran is unlikely. The most likely form of Soviet aggression here is some sort of political subversion or the entrance of Soviet military forces into Iran as a consequence of British military action to protect nationals in the petroleum area. We would endeavor by all appropriate means to keep the conflict localized, including the presentation of the case to the United Nations. We should only resort to the use of atomic weapons against the Soviet Union in the event that global war proved to be unavoidable.

*Afghanistan.* This country does not constitute a strategically vital area and a Soviet attack on it alone would not be a valid cause for global war. The case would however, be presented to the United Nations. We should take a vigorous stand against this Soviet aggression which if unchallenged would embolden the Kremlin to make further aggressive moves.

*Cumulative Aggressions.* The above possibilities of aggression have been treated separately. There is always the possibility, however, of a series of Soviet and satellite peripheral aggressions, any one of which might not be serious enough to set off global war but the combined effect of which might make it unavoidable and consequently call for the use of atomic weapons.

*The Far East.* This area will be discussed later in a supplement to this paper.

PPS Files, Lot 64 D 563

*Memorandum of Conversation, by the Special Assistant to the Secretary of State (Arneson)*

TOP SECRET [WASHINGTON,] May 25, 1951—4 p. m.

Subject: Possibilities of War with the Soviet Union, 1951–52: Use of Atomic Weapons

Participants: *United States*
Secretary Acheson
Mr. Matthews, Deputy Under Secretary
Mr. Nitze, Director, Policy Planning Staff
Mr. Arneson, S/AE
*Canada*
Ambassador Wrong
Mr. Ignatieff, Counselor of Embassy

The Secretary suggested that the most expeditious way to proceed might be to have Mr. Nitze summarize the present thinking of the Department on developing world situations which might or might not lead to the use of atomic weapons. The Ambassador agreed, pointing out that he was not in a position at the moment to express any firm views of his Government on the matter. Accordingly, he would appreciate having the benefit of our present views. Mr. Nitze explained that the analysis he was to give represented primarily the thinking of the Department of State and had not yet been discussed in any detailed way with the Department of Defense. Mr. Nitze followed very closely the substance of the attached paper.[1] As to the Far Eastern area, with which the paper does not deal, Mr. Nitze stated that our views had not yet been jelled on this aspect of the problem but our preliminary thinking was that a massive Soviet entry into the Far Eastern situation would lead to the use of atomic weapons. The Secretary stated that such Soviet action would in all probability have to be interpreted as a decision on their part to embark upon global war. U.S. public opinion would doubtless insist that the United States respond with all the means at its disposal including atomic weapons.

Ambassador Wrong expressed his appreciation for the analysis which had been given him. He said that so much ground had been covered that he was sure that his Government would need a good deal of time to digest what had been said. He pointed out that in effect the presentation had touched on two aspects of the problem, namely (1) general philosophy of weapon use and (2) possible contingencies. He thought that the next stage of thinking would necessarily involve analysis of relative probabilities that the various contingencies would in fact occur. He hoped that the next time a discussion was held that he

[1] *Supra.*

would be in a position to give some initial reactions of his Government.

The Secretary, owing to another engagement, left the meeting at 4:30 p. m.

On the question of the next meeting Mr. Nitze expressed the hope that the Ambassador would let us know when he wanted to meet again. For our part, it seemed more important that we meet promptly as developing situations might warrant although we were also prepared to meet with some regularity if this was the wish of the Canadian Ambassador. It was left that we would see how matters looked in two weeks' time and meet again then if it seemed desirable. The Ambassador mentioned that from the Canadian point of view it had been thought that the meetings might be even more productive and certainly it would save time if they could be conducted on a U.S.–U.K.–Canada basis, but in view of the American preference to hold the talks bilaterally the Canadian Government was quite prepared to proceed in that way.

The meeting ended at approximately 5 o'clock.

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102.201/6–1251

*Memorandum of Conversation, by the Director of the Policy Planning Staff (Nitze)*

TOP SECRET [WASHINGTON,] June 12, 1951.

Participants: General Bradley Mr. Matthews
Mr. Nitze

[Here follows discussion of various issues of mutual concern to the United States and the United Kingdom.]

*Atomic Weapons*

The next item discussed was the Slessor paper.[1] General Bradley said that he had discussed that matter in London.[2] He said that the British were interested in setting up machinery which could function quickly in the event of necessity. He said that they felt that their Prime Minister and a certain number of others of the British government should know how we proposed to use atomic weapons, against what target systems, and what to expect in the way of retaliation. General Bradley said that this presented a number of problems because of the requirements of our legislation. He said that he had given Slessor the general indication of the target systems and the nature of the installations covered thereby without indicating the number of targets or the number of weapons that would be used against them. He said the British felt that discussions on the political level as to

[1] The reference paper is not printed. For information regarding it, see memoranda of May 4 and May 16, pp. 826 and 833.

[2] General Bradley's trip to the United Kingdom is treated in documentation on United States relations with that nation in volume IV.

circumstances under which atomic weapons would be used would be desirable.

Mr. Nitze said that Sir Oliver Franks had discussed this problem with the State Department and had shown the Department a copy of the Slessor paper. Mr. Nitze told Sir Oliver that we would not be prepared to discuss it further with him until we had had a chance to take up the question with General Bradley. Sir Oliver had asked when we would be in a position to have discussions. Mr. Nitze said that he had assured Sir Oliver that we would be in a position to discuss the paper at the time of Sir Oliver's return from the U.K., which would be approximately three weeks from now. Mr. Nitze said that it appeared to him there were certain questions which were important for State and the JCS to get together on prior to Sir Oliver's return. General Bradley said that he wanted to have all the Joint Chiefs in on the discussion. This would not be possible until June 27. General Bradley agreed to set up a meeting at that time, which should be in advance of Sir Oliver's return.

[Here follows discussion of other subjects.]

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700.5611/6-1451

*The Secretary of State to the Secretary of Defense (Marshall)*

TOP SECRET WASHINGTON, June 14, 1951.

DEAR MR. SECRETARY: By letter of December 30, 1950 [1] the Acting Secretary of Defense requested the Department of State to approach the Canadian Government with a view toward obtaining a broad agreement to cover certain SAC operations involving Goose Bay, Labrador, and Harmon Air Base, Newfoundland. The suggested substance of a communication to the Canadian Government in this regard was attached.

Following on this request, a series of discussions have been held with the Canadian Ambassador in Washington and with officials of the Department of External Affairs in Ottawa. It is clear from these discussions that the Canadian Government is not in a position to give *prior* consent to the use of Canadian bases and territory for the activities set forth in the letter of December 30, 1950. The Canadian Government feels it must always reserve the right, as a matter of national sovereignty, to refuse the use of these bases however unlikely the exercise of such right would be in certain clear circumstances. On the basis of the talks that have been held with the Canadian Government, the Department of State has good reason to believe that Canadian consent to the use of its territory for atomic strikes would be speedily

[1] Not printed.

forthcoming in the event of (1) Soviet armed attack on the North American continent, (2) Soviet armed attack on one or more of the NATO countries (except in situations where the issue is obscure), or (3) in any other situation that would mean global war.

As to certain deployment operations of the SAC including overflight of Canada with non-nuclear and/or nuclear components and storage at Goose Bay of non-nuclear and/or nuclear components, the Canadian Government wants such requests put to the Canadian Embassy in Washington by the Department of State with as much advance notification as possible. For its part, the Canadian Government is prepared to reply promptly to such requests through the same channel. In recent weeks this channel has been used on several occasions and, although the advance notice has been exceedingly short, the Canadian Government has responded promptly and affirmatively. While the Canadian Government is not prepared to give agreement now to any and all such deployments in the future, there is every reason to believe from the discussions which have taken place that the Canadian Government will, in fact, give prompt approval, provided the suggested channel is used and maximum possible notice is given.

In view of the foregoing, the Department of State feels that further pressure on the Canadian Government to give prior agreement to the use of Canadian bases for atomic strikes or to the use of Canadian territory for the deployment of atomic weapons (either with or without their nuclear components) or to over-fly Canadian territory with such weapons would not yield the desired results. Instead, the Department feels that the matter should be dealt with in the following informal way:

*a.* Frequent consultations should be held between appropriate officials of the Department of State and of the Department of Defense on the one hand and the Canadian Ambassador on the other, such consultations being directed toward a mutual examination of developing world situations that may or may not necessitate the use of atomic weapons. Such approach should go a long way toward satisfying the Canadian desire to be consulted in these matters while at the same time avoiding a situation wherein, if pressed further to give prior agreement, the Canadian Government would feel it was impelled to give a formal negative answer. By a continuing process of consultation on developing world situations, it is thought that the Canadian Government will find itself more readily in a position to allow the use of its territory for atomic strikes in the various contingencies that may develop in the future.

*b.* Requests for permission to make use of Canadian territory for the deployment of atomic weapons (both without and with their nuclear components) or to over-fly Canadian territory with such weapons should be addressed to the Canadian Government by the Department of State through the Canadian Embassy in Washington, and the reply of the Canadian Government should be routed through the same channels. As much advance notification as possible should be given

by the United States and the Canadian Government is prepared to respond to such requests as promptly as possible.

The Canadian Government is prepared to proceed along the foregoing lines. The Department of State considers that the above consultations and channel for handling requests provides an informal mechanism whereby Canadian consent to the use of her territory for SAC operations will be expeditiously forthcoming if and as necessary. Recent experience with such requests to the Canadian Government fortifies this conclusion. The effectiveness of the suggested procedure and the likelihood of attaining the end result required will be enhanced if all possible measures are taken to see to it that the Canadian Government is given as much advance notification of prospective actions as possible.

Sincerely yours, DEAN ACHESON

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PPS Files, Lot 64 D 563

*Memorandum of Conversation, by the Special Assistant to the Secretary of State (Arneson)*

TOP SECRET [WASHINGTON,] June 14, 1951—2:30 p. m.

Subject: Possibilities of War with the Soviet Union 1951–52: Use of Atomic Weapons

Participants: *United States*
Secretary Acheson
Mr. Matthews, Deputy Under Secretary
Mr. Nitze, Director, Policy Planning Staff
Mr. Arneson, S/AE
*Canada*
Foreign Minister Pearson
Ambassador Wrong
Mr. Ignatieff, Counselor of Embassy
Mr. Douglas LePan, Special Assistant to the Secretary of State for External Affairs

1. *Procedures*

THE FOREIGN MINISTER said that the Canadian Government intended to cooperate with the United States to the fullest possible extent in all matters relating to the common defense. Canada recognizes that under NATO the United States has been given responsibility for the strategic air offensive in the event of war and it was Canada's intention to lend every possible assistance in facilitating the carrying out of this responsibility. He went on to say, however, that for political reasons it was essential that Canada reserve its position as to the use of her territory for such purposes. He hoped, therefore, that the United States would be in a position to agree to the procedures which had been arrived at in

recent discussions, for these procedures would make it much easier politically for Canada to give full cooperation in the event the necessity arises for the use of atomic weapons. As to the method whereby the understanding as to procedures could be recorded, he was quite prepared to do this in the most informal way possible. He did not feel that it was necessary to initial a paper on the matter, but he felt it would be important for Ottawa and the Embassy here to have on record their understanding of the present arrangements. It was suggested that he might read the note that the Embassy had prepared on this matter and that the Secretary might indicate whether it seemed to be all right to him. Before commenting on the note after Mr. Pearson had read it, THE SECRETARY inquired of Mr. Arneson whether it would be necessary for him to check the matter further with Secretary Marshall or with the President. When MR. ARNESON said he thought not and MR. MATTHEWS pointed out that these procedures were indeed already in effect, MR. ACHESON stated that the notes which the Canadians had prepared on the subject seemed to be all right to him. (See attachment)

2. *Agreement on Basic Approach to Problem*

THE CANADIAN AMBASSADOR stated that the views which had been expressed by Mr. Nitze at the last meeting[1] met with a good deal of agreement on the part of the Canadian Government, particularly the general assumptions made and the basic philosophy on which the analysis was grounded. There were some questions which it was thought desirable to discuss, however, and some aspects of the problem on which there was clearly need for additional thought.

3. *International Control of Atomic Energy*[2]

The first point which came to mind was what our position should be with respect to negotiations on international control of atomic energy. There was a seeming inconsistency between building up strength in this field while at the same time seeking to disarm ourselves of this weapon by international agreement. The question, therefore, was whether we wished to continue to press for international control, if and as opportunities arose. MR. PEARSON pointed out that they were under some domestic attack in Canada for seeming to place much greater reliance on atomic armament than on international control. Would it be better, therefore, to drop all attempts at negotiations or should we press for agreement? MR. NITZE responded that the United States saw no inconsistency between building atomic strength while being prepared to negotiate international control. This was for the very elemental reason that in the United States view Soviet acceptance of effective international control could be brought about only by a very fundamental change in the Soviet system and

[1] For Arneson's memorandum of the meeting of May 25, see p. 841.
[2] For documentation on international control of atomic energy, see pp. 443 ff.

that if such change were brought about it would result in the willingness on the part of the Soviets not only to accept international control but regulation and reduction of conventional armaments as well. Mr. Pearson wanted to know if we would support any new proposals in the United Nations. Mr. Acheson expressed the view that we should follow the line which had recently been established of working toward a merger of the systems of control for atomic energy and for the regulation and reduction of conventional armaments. He felt that this was the realistic line to follow and other approaches of a different sort would only be confusing. Mr. Nitze pointed out that it was exceedingly difficult to see how, in the light of existing political tensions, e.g. aggression in Korea, and other Soviet pressures around the world, there was any real likelihood of any Soviet intent to negotiate seriously on atomic energy control proposals. Mr. Pearson expressed concern that the Soviet peace campaign [3] had made a good deal of progress in Canada and that it would be desirable when possible for the Western powers to seize the initiative on disarmament questions.

4. *Assessment of Soviet Motivations*

Mr. Wrong recalled that at the previous meeting a good deal of the analysis was based on the assumption of provocative Soviet actions. He inquired whether situations might not arise in which Western actions might be deemed by the Soviets to be so provocative as to be a *casus belli*. He cited for example the establishment of bases in Turkey, the rearmament of Japan or of Germany. Mr. Nitze responded that such danger had existed for at least the past two years. There was always a danger that the balance might be tipped at any time. However, the United States had felt that it was essential that the Western world build its strength and take what measures were necessary to this end, hoping always to avoid being provocative about it. It was felt that the risk of provocation had to be taken, otherwise we were defeated before we started. Mr. Pearson commented that in substance the situation was that we were forced to take provocative measures in as unprovocative a way as possible. He alluded to the difficulty of divining the Soviet mind and the danger of overstepping the mark through lack of adequate knowledge of the Kremlin's thought processes. The Secretary said that we had constantly been aware of the great danger that lay in any program of build-up in the sense that the Soviet Union might feel it would be impelled to take vigorous counteraction. Mr. Wrong inquired whether the United States held the view that the inevitability of war was a basic Soviet tenet. Mr. Nitze responded that we did not. He went on to say that while the Soviets might consider that their actions would inevitably bring a belligerent

[3] Documentation on the United States response to the international peace propaganda activities promoted by the Soviet Union is presented in volume IV.

response on the part of the Western world there appeared to be considerable reason to believe that the Soviet system is a dynamic one capable of fitting its actions to new appraisals of new situations. Mr. Pearson said that perhaps the best summation of the matter would be to say that Marxism believes in the inevitability of conflict but not in the inevitability of war. He said he was reminded of a comment he had heard in the United Nations from an Arab delegate who remarked that in the Arab world one did not cut a man's throat while giving him poison. Mr. Acheson remarked that he was baffled by the inner compulsion of the Soviets continually to apply aggressive pressure. He said he would have thought that, in the light of its conviction that the Western world will fall of its own weight in due course, the Soviets would take the line of letting matters simmer for a generation or so after which they could take over completely. Mr. Pearson commented that dictatorships appear to require hate campaigns in order to keep their subjects in line.

5. *United States Views on Inevitability of War*

Mr. Pearson said there was a considerable body of opinion in Canada which was based not upon official pronouncements in the United States but rather on the tenor of press and radio and statements of various public figures, that the United States has come to accept the inevitability of war and is, accordingly, launched upon a program to build up strength, not to win the peace but to win the war. Mr. Acheson pointed out that foreign observers would find a good deal of evidence for this conclusion in our public press and radio and in the speeches of various public figures. Although such evidence exists, he said the conclusion was not true. He explained that there is a vicious group of individuals active in this country who are intent on tearing down the structure of government in order that they might take over. They have this objective even though to succeed would mean that they would inherit a ruin. Not only Senator McCarthy,[4] but also such people as the radio commentator Fulton Lewis, the Col. McCormick[5] clique, and certain Republicans have been engaged in this reckless adventure for some time.

6. *Ultimata or Warnings*

Mr. Wrong next raised the question of whether it would be possible to issue some sort of ultimatum or warning to the Soviet Union in which one might stake out areas where Soviet aggression would surely mean war. He recalled that the Secretary had commented last time that ultimata were not well suited to our constitutional system of government. Nevertheless, he wished to point out that the three Ministers had indeed delivered an ultimatum concerning Berlin and West-

[4] Senator Joseph R. McCarthy of Wisconsin.
[5] Robert R. McCormick, Editor and Publisher of the *Chicago Tribune*.

ern Germany,[6] stating publicly that an attack from any source on these areas would be considered an attack on all three of them. He recalled there was a secret understanding among the three Ministers that offensive action by the Bereitschaft[7] in Eastern Germany would be considered an attack by the Soviet Union. He inquired whether there were any other areas that might qualify for this type of pronouncement. Mr. Acheson responded that Yugoslavia might present a similar case. Mr. Pearson said that in his view such warnings might serve the very useful purpose of preventing war from breaking out as a result of lack of Soviet realization of where we had drawn the line. For example, without a warning in the case of Yugoslavia, the Soviets might assume that aggressive action there might be a very serious matter but would not bring on global conflict. The same might be applied to Korea. Mr. Nitze pointed out that the President had issued a statement not long ago to the effect that further Soviet aggressions might so strain the general fabric of peace as to bring on war. He recalled that the Secretary had quoted this statement and had applied it specifically to the Yugoslav case. Mr. Pearson said that we might very well find there were four categories in which various contingencies could be placed, namely (1) those situations in which war was certain, (2) those situations in which war might or might not be brought on, (3) those situations which would be referred to the United Nations to handle, and (4) those situations in which no action would be taken because there was nothing to do.

7. *Nature of Soviet Aggression: Global War: Use of Atomic Weapons*

Mr. Wrong felt that certain tentative conclusions were clear. Massive Soviet armed attack would in all probability mean a global war. In the event of attacks by Soviet satellites, our response would presumably be to attempt to localize the conflict. In the event the Bereitschaft marched in Eastern Germany this would mean war. Disturbances and/or aggressive moves in Finland, Finnmark, and Bornholm probably would not mean war. In other words, the position appeared to be that massive aggression by Soviet forces would probably result in the immediate use of atomic weapons. In situations short of this there would probably be time in which to consider the matter in some detail and for the interested parties to consult together.

Mr. Wrong requested some clarification of remarks at the previous meeting about situations involving Soviet attack on sea forces without the movement of land forces. Mr. Nitze explained that the contingency of a massive Soviet attack on our bases and sea forces in the

[6] Reference is to the Communiqué issued at Washington by the Foreign Ministers of the United States, the United Kingdom, and France, September 19, 1950. For documentation on the meetings of the Foreign Ministers at Washington, September 12–19, 1950, see *Foreign Relations*, 1950, vol. III, pp. 1108 ff.

[7] East German security forces trained and equipped by the Soviet Union.

Far East had been discussed. Our view was that if it were not possible to identify direct Soviet participation in such an action our response would probably be to strike Manchurian bases with conventional bombs. If, however, Soviet participation could be clearly identified and if the magnitude of the attack were large, the United States would probably consider this a clear indication of Soviet intention to launch global war, thus calling for the use of all the means at our disposal including atomic weapons.

Mr. Pearson inquired whether the pressure from the Air Forces would be so great in an emergency situation that there would be no time to consider the question whether suitable warning should be given the Soviet Union. Mr. Acheson responded that the amount of pressure one would have to cope with would doubtless bear a direct relation to the size of the Soviet movement. His feeling was that in most situations there would be time in which to consider such questions as warning. Mr. Pearson felt that the Soviets would in all probability attempt to launch aggressive moves in such a way as to make their intention uncertain in which event there would probably be time for consultation among the principal allies.

8. *Indo-China Compared to Formosa* [8]

Mr. Wrong noted that Mr. Nitze's presentation at the last meeting had not touched upon Indo-China. He inquired whether there would be any disposition on our part to go into action against Red Chinese forces operating against Indo-China if it appeared that the Indo-Chinese forces could not handle the situation. He thought that action against the Red Chinese might very probably bring the Soviet Union into the conflict by way of the Sino-Soviet treaty, thereby generating general war. Mr. Nitze responded that it was unlikely that we would wish to intervene in that situation. If such became necessary, however, the action would probably be confined to naval and air operations against China. It would be difficult to see how the Sino-Soviet treaty could be brought to bear inasmuch as the Red Chinese were the aggressors. Mr. Pearson inquired whether Indo-China was thought to be more or less important than Formosa from a strategic point of view. Mr. Acheson stated that loss of Indo-China would represent a very serious development for all of southeast Asia. Mr. Nitze added that the loss of southeast Asia would be very serious in economic terms inasmuch as the area provides large quantities of materials needed by the Western world and which if turned to the use of the Soviet Union would be very helpful to them. On the other hand, Formosa—while of little economic consequence—would represent an area of some importance in terms of the defense of the Pacific area.

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[8] For documentation on U.S. policy with respect to Indochina, see vol. VI, Part 1, pp. 332 ff. Documentation on the question of Formosa is included in volume VII.

9. *Exception to Basic Assumption on Atomic Weapon Use: Yugoslavia*

Mr. Wrong reverted to the basic assumptions underlying the United States analysis which had been furnished at the previous meeting. He understood that the fundamental assumption, one with which the Canadian Government was in full accord, was that atomic weapons would be used only in the event of war with the Soviet Union. Mr. Nitze said that was the fundamental assumption; however, there might be certain exceptions, specifically Yugoslavia. In the case of Yugoslavia the United States felt it could not foreclose the possibility of the use of atomic weapons, for there was some basis for believing that quick atomic retaliation might quickly localize and abort aggression in that area. Mr. Wrong thereupon said that the basic assumption might be reframed to say that atomic weapons will be used only in the event of war with the Soviet Union except in situations where the use of such weapons might serve to localize the conflict.

10. *China*

With regard to general China policy, Mr. Pearson recalled that Canada had entertained some hope six months or so ago that there might be real possibility of detaching China from the Soviet orbit. He felt that now, however, a rather more rigid position was being taken on China, particularly in the United States, and he wondered how this rigidity might affect the hope of bringing about a schism between China and the Soviet Union. He felt that the main task of the Western world with respect to China was to do everything possible to make it difficult for the Soviet Union to bring China fully into the Soviet orbit. Mr. Acheson said that the Chinese situation was not at all encouraging. One continued to entertain the view that the basic interests of China and the Soviet Union were antithetical. There were few signs, however, that Titoist motivations existed in China today. There seemed to be good evidence that the Chinese communists are producing a completely new structure of Government in China. Mr. Nitze added that the communists seemed to be in the process of superimposing a completely new regime in China which was producing a situation more satellite than Titoist in nature. The nationalist communist elements were being greatly weakened. While this situation might bring about an eventual explosion in China, there was no present sign that matters had yet proceeded to this stage. Mr. Acheson remarked that Prime Minister Attlee last fall had argued the view that the Chinese communists were more nationalist than communist. He felt there was very little reason to support that view then, and even less reason to support it now. Mr. Pearson reiterated the question of how best to weaken the hold of the communists on China. Mr. Acheson said that all he could give on

that point was a guess which was that military intervention in China would probably solidify support for the regime. Mr. Nitze said that he had thought that air action in China some months ago might have had this effect whereas he thought that at the present juncture such action might tend to loosen the grip of the communist regime on the country. He felt that destruction from the air might well serve as the catalyst for revolt. He stressed, however, that this was an opinion which would very easily be subject to change. Mr. Pearson said that Canada had been rather more sympathetic to the British approach than to the American view some months ago but that Canada too was finding less and less reason to be soft toward communist China. The Canadian Government of course had no contact with the Chinese Reds and therefore there was no way of their learning at first hand about the regime. He was pleased to see that the gap between the British and American positions seemed to be closing.

11. *Inclusion of Greece and Turkey in NATO* [9]

Mr. Wrong raised a collateral point at this juncture. He stated that a number of questions were being raised about the possible addition of Turkey and Greece to NATO. The emphasis of the analysis to date seemed to be primarily military. He thought there were many complicated political questions involved and he hoped that it might be possible, perhaps in this forum, to discuss these questions. He did not propose to do it today but did suggest that a meeting might be held on this question at a later date. Mr. Acheson said that the Department would be very pleased to hear what Canada might have to say on this problem.

12. *United States-Canadian Mutual Defense Cooperation* [10]

Mr. Pearson spoke about the general mutual defense situation as between the United States and Canada. He felt that cooperation in this matter had been proceeding in a very good way but felt that relations had become rather more complicated since 1947 at which time certain principles of cooperation had been enunciated as the basis for guiding mutual defense arrangements.[11] That 1947 statement of principles was now badly out of date and he wondered whether it might be useful to investigate the possibility of a new statement of principles of cooperation which would reflect more aptly the current situation. He remarked, for example, that there was a rather involved problem of how to deal with the radar screen project. There were many stations which Canada would not be able to man with its own personnel and would want the United States to operate. At the same time Canada had to retain the necessary accoutrements of sovereignty over these stations. He had in

[9] For documentation on consideration of Greek and Turkish membership in the North Atlantic Treaty Organization, see vol. III, pp. 460 ff.

[10] For documentation on political and military relations between the United States and Canada, see vol. II, pp. 870 ff.

[11] The principles were set forth in Department of State press release of February 12, 1947. For text, see *Foreign Relations*, 1947, vol. III, p. 104.

mind that a new statement of principles of cooperation in mutual defense, which would be very general in nature, should be given wide publicity in the two countries. He felt that there were compelling political reasons in Canada to do this and such a statement would serve as the general canopy under which detailed arrangements could be pressed forward. His thought was that the best mechanism for bringing this about would be through the PJBD which might be directed to come up with such a statement for recommendation to their respective governments. The two governments might then announce that they had accepted the recommendations of the Board. Mr. Acheson said that the PJBD mechanism seemed to him an admirable one for handling this problem. He said he would welcome Canadian initiative in looking into the matter.

The discussion was concluded at 4 p. m. It was followed by a fifteen minute briefing on the Korean situation by Park Armstrong.[12] The Canadian Foreign Minister and his party departed at 4:15.

[Annex]

*Note Prepared by the Canadian Embassy*

TOP SECRET [Washington,] June 14, 1951.

Agreed Minute

In the communiqué issued on December 8th at the conclusion of the talks between Prime Minister Attlee and Mr. Truman, the President stated that "it was his hope that world conditions would never call for the use of the atomic bomb". The communiqué continued: "The President told the Prime Minister that it was also his desire to keep the Prime Minister at all times informed of developments which might bring about a change in the situation". The State Department informed the Canadian Embassy on December 9th that the Canadian Government was in this respect in the same position as the United Kingdom Government.

Discussions have also taken place between the two governments as a result of the desire of the United States Air Force, in carrying out its responsibilities involving the use of atomic weapons which arise from the North Atlantic Treaty or from mutual defence arrangements between Canada and the United States, to make use of facilities in Canadian territory as outlined in sub-paragraph (2) below.

In consequence, the following procedural arrangements have been put into effect:

(1) Frequent consultations shall take place in Washington between the Canadian Ambassador and the Secretary of State and such other

[12] W. Park Armstrong, Jr., Special Assistant for Intelligence, Department of State.

officers of the United States Government as may be designated by him. The purpose of these consultations is to exchange views on developments in the world situation which might necessitate the use of atomic weapons. The consultations are informal and exploratory and are not to be regarded as involving or implying any commitment on the part of either government as to the action it will take or the position it will adopt in particular circumstances yet to arise. It would be the hope that by such consultations it will be possible to arrive at common appreciations of situations which may necessitate the use of atomic weapons.

(2) Requests of the Government of the United States for permission to make use of facilities in Canadian territory for the deployment of atomic weapons (both without and with their nuclear components) and for the conduct of operations involving the use of such weapons, or to overfly Canadian territory with such weapons, are to be addressed to the Canadian Government by the Department of State through the Canadian Embassy in Washington, and the reply of the Canadian Government is to be routed through the same channels. As much advance notification as possible will be given by the Government of the United States, and on its part the Government of Canada will seek to answer such requests promptly.

(3) These arrangements shall be regarded as subject to modification by mutual consent at any time.

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*Memorandum for the Record by the Special Assistant to the Secretary of State (Arneson)*

TOP SECRET [WASHINGTON,] June 14, 1951.

Subject: Letter from Secretary of State to the Secretary of Defense, dated June 14, 1951, re Atomic Activities in Canada [1]

The Secretary told me this afternoon that when he saw Secretary Marshall at lunch the latter had not yet seen the letter. The Secretary, however, had talked with Mr. Lovett about it. Mr. Lovett said he would discuss the matter promptly with Secretary Marshall and that he, Lovett, would keep the problem closely in his own hands making certain that no Lieutenant Colonels in the Air Forces came back at the Department with impossible requests to put to the Canadians. The Secretary said that the reason he had fussed a little about agreeing to Mr. Pearson's minute on procedures was that he had not yet been able to get Marshall's own personal views. He felt that he was able, however, to agree with the procedures outlined by Pearson because he was confident that the matter had been taken care of satisfactorily, certainly that Lovett was agreeable and he was confident that Secretary Marshall would be. In the event that any change is required in the procedures we will of course go ahead and have them changed.

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[1] *Ante*, p. 843.

PPS Files, Lot 64 D 563

*Memorandum of Conversation, by the Special Assistant to the Secretary of State (Arneson)*

TOP SECRET [WASHINGTON,] July 13, 1951—2:30 p. m.

Subject: Possibilities of War with the Soviet Union 1951–52: Use of Atomic Weapons

Participants: *United States*
Mr. Matthews, Deputy Under Secretary of State
Mr. Nitze, Director, Policy Planning Staff
Mr. Savage, Policy Planning Staff
Mr. Arneson, S/AE
*Canada*
Ambassador Wrong
Mr. Ignatieff, Counselor of Embassy

1. *Constitutional Problems*

MR. WRONG said it would be very useful to have a clear understanding of the constitutional position of the three Governments with respect to the use of atomic weapons, particularly in the event of the need for great speed. While he was not yet prepared to recite on the matter, he thought it would be important to know with precision what the situation would be. Preliminarily, he could point out that in Canada a declaration of war was an Executive act. As to the situs of command responsibilities for the armed services, the Commander-in-Chief of the armed forces was in effect the Cabinet itself. MR. NITZE recalled that a declaration of war in the United States could come only from the Congress. On the other hand, a state of hostilities could be entered into by Executive action, as was the case in Korea. MR. WRONG explained that practice required the Cabinet to consult with the Parliament in such cases as the Korean situation. However, to the best of his knowledge, such consultation had not taken place although, in effect, the Parliament had effective means of registering disapproval if it disagreed with the decisions made, e.g. denial of funds, vote of censure, or vote of no confidence. MR. WRONG said that Ottawa had started on an analysis of the constitutional question and would welcome a setting forth of the U.S. situation in this regard. MR. MATTHEWS agreed that this should be done. Finally, MR. WRONG stressed that it was important to do this, particularly since procedural arrangements necessary to ensure speedy action were being made. He thought it would be most regrettable if it was found that there was some outside constitutional or legislative obstacle that might be encountered.

2. *Cease Fire in Korea: Soviet Intentions*

MR. WRONG suggested, and Mr. Matthews agreed, that it might be useful to analyze the various possibilities that might lie behind the

Soviet support for the present cease fire negotiations. He thought that one might look at the matter in a number of ways. One would be to consider the situation in terms of a purely local phenomenon. In this context it may be that the Soviets had decided that this adventure cost too much in terms of matériel and other support. On this line of reasoning they may have thought it was desirable to stop short of all-out victory on the peninsula. A broader analysis might lead to the conclusion that the Soviets had found themselves in a rapidly less favorable general position vis-à-vis the Western world: the Korean episode had clearly given a boost to the rearmament program of the United States; NATO was likely to become a substantial military alliance within the next twelve to eighteen months; Western Germany and Japan were adhering more and more closely to the Western world. With all of these developments adverse to the Soviet design, the Kremlin may have decided that the Korean matter should be brought to a state of suspense and a new peace offensive on a world-wide basis should be undertaken. In any such analysis, Mr. Wrong continued, the real unknown was the present state of Sino-Soviet relations.

Mr. Matthews commented that the Soviets may have realized that they were faced with one of two alternatives in the Korean situation, namely the necessity of providing more aid to the North Korean and Chinese communist forces, or to suffer the danger of hostile forces on her borders at the Yalu. Faced with this situation, the Soviets may have decided to strive for a cease fire.

Mr. Wrong felt that the Soviet Union would have to go much farther in the way of a general peace offensive than merely to obtain a cease fire in Korea if they intended to bring about a letdown in the rearmament program of the Western world.

Mr. Nitze felt that in addition to the two hypotheses Mr. Wrong had outlined one might stress the psychological factor. Despite their upside down propaganda, the Soviets were becoming identified more sharply throughout the world as the aggressor. This development probably has had adverse results not only in the free world but also among officials and the public both within the Soviet Union and the satellites. By a peace offensive, the USSR would hope to improve its psychological base for future adventures.

As to the Korean situation itself, Mr. Wrong felt that it was clearly necessary to obtain more than a cease fire. Mr. Matthews felt that the chances of getting a satisfactory political settlement were very poor indeed and that the terms of an armistice must therefore be such as to stand up for a long period of time in the absence of a final Korean political settlement. Mr. Nitze pointed out that from the evidence available it seemed that the Soviets themselves did not seem to antici-

pate that the armistice negotiations would be quickly followed by broad political talks.

There was, of course, the question, Mr. Wrong commented, as to whether the initiative for the cease fire had come from Moscow or from Peiping. Mr. Matthews thought it could be either, although he personally felt that the pressure for the cease fire had in fact come from Moscow. Mr. Nitze pointed out there were indications that Peiping had been forced by Moscow to support the cease fire only with some difficulty. Mr. Savage pointed out that a recent statement by Stalin was ominous in this connection. He had said in effect that unless the United States and the United Kingdom accept the Chinese communist conditions for a cease fire, the Soviet Union would bring its power to bear to help defeat the United States and United Kingdom in Korea.

Mr. Wrong raised the question of how best to protect an armistice settlement. He recalled that the Secretary had expressed the view recently, that we might have to make it plain that unless the settlement were kept a third world war would be upon us. Mr. Wrong realized that very specific warnings might have the disadvantage of tying our hands in such a way as might subsequently be found undesirable. He pointed out that one would want also to consider whether such a warning, if made, should be on a United Nations basis or should be made by the United States alone. Mr. Nitze said that the United States position was that a breach of a Korean settlement would be a very serious matter indeed, but not that it made a declaration of war inevitable. The United States felt that it should retain full freedom of action. Mr. Wrong pointed out that there might be various gradations in a breach of the settlement and that this fact would argue for a rather less precise warning or commitment of what the United States would do in the event of a breach. Mr. Nitze expressed the view that the North Koreans doubtless have in mind a renewal of the civil war after the UN forces are withdrawn. In view of this intent, it was important to build up the strength of the South Koreans so that the United Nations, and particularly the United States, would be in a position to save its strength for use in other areas of the world if necessary. A part of this program would be to make it known that the United States and the United Nations had every intent to maintain the settlement in Korea and that a most serious view would be taken of a renewal of the fighting by the North Koreans. Mr. Wrong agreed with this analysis.

3. *Iran*[1]

Mr. Wrong felt that the Iranian situation was exceedingly unsatisfactory because it rather appeared that this was an area of the world where the Soviet Union might gain important objectives without lifting a finger. Mr. Matthews commented that the all pervasive factor

[1] Documentation on United States policy with respect to Iran is presented in volume v.

in the Iranian situation was the very strong nationalist feelings which seemed to be shared by all elements of the population. Mr. Nitze pointed out that the strategic position of Iran was very poor, which was indeed the case throughout the entire Middle Eastern area. Mr. Matthews recalled that the British here hoped that it might be possible to bring about the resignation of the present Premier. Our own view was that this was unlikely. Mr. Nitze pointed out that any other government that might be formed would doubtless have to take into full account the strong nationalism of the country. In sum, it was the U.S. feeling that a satisfactory settlement of the oil question would probably have to be less favorable to the British than the British felt might be possible. It was realized, Mr. Matthews said, that feelings ran very high in the United Kingdom about this matter, representing as it did a serious blow to U.K. prestige. Mr. Ignatieff underscored Mr. Wrong's view that Iran seemed to present a very favorable opportunity for the Soviet Union to accomplish its ends by means of internal penetration and by playing up nationalist feelings.

4. *Provocation to the Soviet Union: Turkey and Greece*

Mr. Wrong recalled that strong opposition to the inclusion of Turkey and Greece has been expressed by the Norwegians and the Danes. The French, too, seem to be generally in opposition. Mr. Matthews felt the French would probably come along. They were in effect stalling until a government could be formed in France and they would in due course withdraw their objection. Mr. Wrong stated that the present position seemed to be that the problem would be referred from the Deputies to the Council. He felt that the Norwegian objection to the inclusion of Turkey and Greece was based on fear of provoking the Soviet Union. Mr. Matthews stated that it was not our thought to have bases available in Turkey in "peacetime" but that the United States should have the right to use bases in Turkey immediately in the event of war. Of course, in order to get such right it would be necessary to give reciprocal assurances to the Turks in the way of mutual defense arrangements. Mr. Matthews concluded that the United Kingdom seemed to be coming around to the idea of including Greece and Turkey in NATO. Mr. Nitze felt that the greatest source of opposition to the inclusion of Greece and Turkey sprang more from a concern that defense commitments would thereby be spread to cover the Middle East. This broadening of the base would emphasize the weak position of this area of the world. It was his view, however, that this weakness being a fact, it should be recognized as such. Mr. Ignatieff raised the question whether an alternative solution might be to establish a regional pact open to accession by other states in the area. Mr. Nitze said that a serious objection to this proposal was that there was not enough unity among the countries in the Middle East, and Mr. Matthews pointed out that an attempt to

launch a regional pact of this sort at this time would be politically exceedingly difficult in the United States.

5. *Spain*[2]

Mr. Matthews stated that the United States was about to initiate exploratory talks with Spain on a bilateral basis. Military reasons for taking this step with Spain lay in the need for securing port and airbase rights. He stated that the United Kingdom and France had been informed of our decision. It was anticipated that any arrangement which might eventually be worked out with Spain would, in all probability, be in the nature of an executive agreement rather than a treaty.

6. *Next Meeting*

Mr. Wrong said that it was his hope to be away on vacation from August 4 through the rest of the month. He would hope, therefore, that it might be possible to have one more meeting before that time and then resume upon his return. Of course, if developments required further consultations in his absence, the Canadian Minister, Don Matthews, could come down.

The meeting adjourned at 3:35 p. m.

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[2] Documentation on United States relations with Spain is presented in volume IV.

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PPS Files, Lot 64 D 563

*Memorandum of Conversation, by Mr. Joseph Chase of the Office of the Special Assistant to the Secretary of State (Arneson)*

TOP SECRET [Washington,] July 27, 1951—4:20 p. m.

Subject: Possibilities of War with the Soviet Union 1951–52: Use of Atomic Weapons

Participants: *United States*
Mr. Nitze, Director, Policy Planning Staff
Mr. Arneson, S/AE
Mr. Chase, S/AE
*Canada*
Ambassador Wrong
Mr. Ignatieff, Counselor of Embassy

1. *Procedures*

Prior to Mr. Nitze's arrival, Mr. Arneson enquired as to the status of the previously discussed letter setting forth procedures to be established by the Canadians to ensure prompt and expeditious action on any urgent request or notification to the Canadians concerning atomic

deployment.[1] Mr. Wrong indicated that the letter had been drafted but had been submitted to Ottawa for comment. He asked whether the need for the letter was urgent. Mr. Arneson replied that it would be useful to have it as soon as possible in order to discuss it with appropriate officials in the Department of Defense. Mr. Arneson went on that there was some disposition in the Department of Defense to recommend that the entire matter be put back in PJRD channels. Mr. Wrong stated that his Government would not agree to this. Whatever the channels used, decisions in Ottawa would have to be made by the same Cabinet officials and their response as to the desire of the Department of Defense for prior agreement on the use of Goose Bay and Harmon Air Base for SAC operations would be the same. Moreover, he did not consider it wise to bring additional people into the picture, which would be the case if the PJDB channel were used. In the meantime he indicated that he, Mr. Ignatieff, and Mr. Don Matthews could be reached at all times through the guard duty officer at the Embassy. He also indicated that in view of his and Mr. Ignatieff's imminent departure on leave, Mr. Don Matthews and Mr. Peter Campbell[2] would be brought into the picture to insure full coverage during the period of the above-mentioned leave. As soon as the comment of Ottawa is received, the Canadian letter on procedures would be sent to the Department. Mr. Arneson stated, and Mr. Nitze (who arrived at this point) agreed, that on the U.S. side the Canadians could expect communications on these matters from himself and Mr. Chase, and also from Mr. Matthews and Mr. Nitze.

2. *Japanese Peace Treaty*[3]

Mr. Wrong stated that the problem of the Japanese peace treaty and the bilateral security pact raised an interesting point. The Soviet Union would probably not be a party to the peace treaty and would certainly not be a party to the bilateral pact. This would result in a situation wherein the United States was at peace with Japan and would guarantee Japanese security, while at the same time the Soviet Union was technically at war with Japan. Did this situation cause apprehension in the United States? Mr. Nitze replied that this situation has not caused any apprehension as it appeared that this was more of a legal than a real difficulty. Mr. Wrong wondered whether

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[1] The procedural arrangements were set forth in detail in a letter from Canadian Chargé d'Affaires W. D. Matthews to Arneson, August 6, 1951, not printed. Requests were to be addressed by the Department of State through certain designated officers of the Canadian Embassy to the Department of External Affairs in Ottawa; urgent requests were to be brought immediately to the attention of the Prime Minister (700.5611/8-651). This letter was subsequently replaced by an almost identical letter from Matthews to Arneson, August 17, 1951 (711.56342/8-1751).

[2] Second Secretary, Canadian Embassy.

[3] For documentation on the Japanese Peace Treaty, see vol. VI, Part 1, pp. 777 ff.

the legal difficulty might not lead to a real difficulty. Mr. Arneson asked Mr. Wrong what developments were foreseen that could make this a problem. Mr. Wrong could not foresee any but emphasized the fact that Japan would not be in a position to defend itself. Mr. Nitze observed that the situation in Japan was quite similar to that in Germany. Legally the two situations would be different, but in fact neither country could protect itself and in both cases our forces would be committed. He believed that no new risk would be added in the case of a peace treaty with Japan.

3. *Korean Armistice: Soviet Intentions*

Mr. Wrong asked whether we had any new ideas regarding Soviet intentions in view of the Korean armistice developments. Mr Nitze stated that we did not have any new ideas, in fact not much new has been added to permit any greater insight into Soviet intentions. Mr. Wrong agreed. Mr. Nitze added the fact that the Soviets were prepared to retreat on the withdrawal issue tended to indicate that the Soviets wanted an armistice. Mr. Wrong mentioned that on the trip back from Detroit [4] the Secretary had stated that he could not see any resolution beyond an armistice settlement in Korea for a long time to come. Mr. Nitze and Mr. Wrong looked upon the Korean situation as a series of hurdles. Two hurdles had been overcome: The first on the neutral zone, the second on the armistice agenda. There were more, and more difficult, hurdles for the future. Mr. Wrong indicated that he could not go beyond stating that the situation was mildly encouraging. Mr. Arneson pointed out that the Soviets are always in a position to pull the plug and asked whether anything new had come through on the communist build up in North Korea. Mr. Nitze stated that the build up was continuing and that the communist capacity for massive ground attack was now greater than it had ever been. The lull in Korea tends to balance off our favorable logistic position. Even though the UN forces are building up their power, the North Korean forces have gained more from the present lull and the whole situation is very risky.

3. *Pakistan-Indian Tension* [5]

Mr. Wrong stated that Ottawa was much concerned over what might be done to ease the Pakistan-Indian tension. Canadian officials in Karachi, New Delhi, and London report greater tension now than a year ago and consider the situation quite explosive. He wondered what could be done through diplomatic channels to ameliorate this tension. Mr. Nitze feared that any comment he might make would be confusing, that he was really not in a position to comment on this point.

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[4] Acheson and Wrong had been in Detroit on July 24 for a speech by the Secretary in honor of Detroit's 250th anniversary.

[5] For documentation on U.S. relations with India and with Pakistan and on the India–Pakistan dispute over Kashmir, see vol. VI, Part 2, pp. 2085 ff., pp. 2203 ff., and pp. 1699 ff., respectively.

Mr. Wrong stated that his Prime Minister wondered whether he could personally be of some assistance. Mr. Nitze stated that the point raised was not a policy matter. Our policy on this issue is quite clear. The real question asked by Mr. Wrong was a question of tactics rather than of policy and suggested that Mr. McGhee [6] would be in the best position to have an opinion on the wisdom or desirability of the suggestion.

4. *Extension of NATO to include Greece and Turkey.*

Mr. Ignatieff asked whether the U.S. had reviewed the question of including Greece and Turkey in the NATO set-up in the light of the Scandinavian opposition. Mr. Nitze stated that such a review had been made and that the U.S. felt even more strongly than before that we should move ahead to bring in Greece and Turkey and that we should move expeditiously. We felt this to be very important and were convinced that the only real solution would be full membership in NATO. Mr. Ignatieff asked whether any new elements to the problems had arisen. Mr. Nitze replied that there were no new elements, but a review of the problem, particularly the situation within Turkey and the weakness of the Middle East, has convinced us that full membership in NATO must come about soon. The Turks would be extremely disappointed if they were not admitted to NATO. This disappointment would be reflected in a long-range reaction and the Turks would be far less easily persuaded to cooperate wholeheartedly if trouble should arise. He added that this did not mean that the Turks would not fight and fight to the last man for their independence. Mr. Nitze added also that we need strength in the Middle East and that the Turks were the only ones in that area who could supply such strength. Mr. Wrong summed up by stating that the United States wanted positive assistance of Turkey in the event of attack on Europe or other Middle Eastern countries. He also expressed the opinion that NATO was now widely regarded as a pledge of instantaneous support in case of an attack. This feeling about NATO is much stronger than it had been when the NATO treaty was being discussed and ratified and was an indication to him that the public was now willing to support this interpretation where before it might not have been so willing. Mr. Nitze generally agreed, stating that NATO is really a registration of the state of affairs that exists and that it did not by itself bring about this state of affairs. In response to a question put to him by Mr. Nitze, Mr. Wrong stated that originally he personally had been quite leery of including Greece and Turkey in NATO. He was primarily worried by possible public opposition but admitted that he was much less concerned now. He was also concerned over the

[6] George C. McGhee, Assistant Secretary of State for Near Eastern, South Asian, and African Affairs.

fact that the North Atlantic concept would be stretched considerably in this instance, and indicated that this was of concern to Ottawa. In his case he has argued that this question is a matter of interpreting Article 2. He has pointed out to Ottawa that there are other activities of the North Atlantic community that extend beyond the strict limits of that community and would hope that Ottawa would see his point of view. Mr. Ignatieff wondered whether the emphasis on the military aspects detracted from the social and economic. Mr. Nitze said that even though the social and economic problems become more difficult as one progresses with building defense, they remain equally or more important.

5. *Spain*

Mr. Wrong pointed out that at the previous meeting Mr. Matthews had referred to relations with Spain. He wondered whether we might not get ourselves in a situation whereby we would take a first step which would indicate the necessity for additional steps and ultimately lead to including Spain within NATO. He felt that there were two aspects to such a development that were of concern: The first was the fact that the extent of popular resistance to Franco Spain [7] in France and the U.K. in particular, could decrease popular support for NATO and thus weaken it. The second aspect was that the progressive tying in of Spain in the military field could be construed as provocative to the Soviet Union and would reinforce fears that the West is pursuing a deliberate policy of encirclement. Mr. Nitze replied that Admiral Sherman [8] had made no agreements with Spain and that he had just had a talk and in a very preliminary way. Regarding the point on provocation, Mr. Nitze pointed out that we want to build up the strength of the free world in as unprovocative a way as possible, but build it we must. He did not believe that a good geographic case could be made that Spain encircled the Soviet Union, or that Spain could be any more provocative to the Soviet Union than it now is. Of course, the Soviet Union would use this development for propaganda purposes. He pointed out that in case of trouble Spain would be against the Soviet Union and for us, and its assistance should be made effective. Speaking to the point of provocativeness, Mr. Arneson pointed out that most of the world is against the Soviet Union, a situation which is of its own choosing. Mr. Nitze pointed out that the question of provoking the Soviet Union is directly connected with the problem of neutralism. He stated that neutralism stems from the fear that the

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[7] Gen. Francisco Franco Bahamonde was Chief of State and Premier of Spain.
[8] Adm. Forrest P. Sherman, Chief of Naval Operations, 1949–1951 (deceased July 22, 1951).

free world is not strong enough to defeat the communists. If we can convince ourselves and our friends that the situation is not hopeless, neutralism will decline.

6. *Iran*

Mr. Ignatieff asked whether anything new had developed in Iran. It appeared that the situation was unchanged.

7. *Deployment*

Mr. Ignatieff asked whether the U.S. contemplated any deployments this summer. Mr. Arneson stated that although this was not firm, his understanding of the present status was that the storage facilities in Goose Bay were under construction but would probably not be completed this season. Therefore the question of deployment to Goose Bay would probably not arise. There may, however, be rotational over-flights in connection with the U.K. deployment. He was not certain whether any over-flights would take place to Ladd Field.

8. *Constitutional Problems*

Mr. Arneson asked whether anything had developed on the constitutional problems discussed at the previous meeting. Mr. Wrong did not believe that he would have any answer from Ottawa until late September. As he understood the problem, we were faced with the fact that declarations of war were outdated and the problem boils down to what decisions would have to be taken depending upon the various ways that war might be thrust upon us. He thought that what might be required in the case of Canada would be a general statement of government policy made in the Parliament. The real problem is at what point and to what extent would the Parliament be consulted. Mr. Arneson reported that he had talked the matter over with Jack Tate[9] who stated that he saw no constitutional problems involved. Fortunately, in connection with the action taken in Korea, two analyses of the constitutional problem had been prepared, which Mr. Arneson handed to Mr. Wrong and Mr. Ignatieff (copy attached).[10] Mr. Wrong stated that he had raised this question with Sir Oliver Franks and that it was his understanding that the U.K. was looking into the constitutional problem also. As the meeting broke up, Mr. Wrong pointed out that the integrated Western European troops pose very novel political and military questions which might have quite a bearing on the problems that face us.

The meeting adjourned at 5 p. m.

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[9] Deputy Legal Adviser, Department of State.
[10] Not printed.

S/AE Files, Lot 68 D 358

*Memorandum of Conversation, by Mr. Robert Tufts, Member of the Policy Planning Staff*

TOP SECRET [WASHINGTON,] August 1, 1951.

Subject: Discussions with British regarding use of atomic weapons [1]

Participants: *Joint Chiefs of Staff:* General Bradley, General Collins,[2] Admiral McCormick,[3] Admiral Davis,[4] General Bolte,[5] Admiral Duncan,[6] Admiral Lalor [7]
*State:* Mr. Matthews, Mr. Nitze, Mr. Arneson, Mr. Tufts
*NSC:* Mr. Gleason [8]

General Bradley summarized the concerns of the Joint Chiefs over the British paper.[9] These concerns are fully set forth in the JCS paper.[10]

Mr. Matthews said that Secretary Acheson believed the time had come for consideration of the problem by Secretary Marshall, the Joint Chiefs, and himself. The Joint Chiefs fully agreed with this suggestion. Admiral Davis and Mr. Matthews agreed to make arrangements for this meeting—probably on Monday, August 6.

It was agreed that it would be desirable, if possible, to prepare an agreed State–JCS paper, taking as a basis the JSSC draft and State's comments thereon. Admiral Davis and Mr. Nitze undertook to make the necessary arrangements and a meeting of Mr. Nitze, Mr. Arneson, and the JSSC will be set up for Thursday, August 2, if possible.

General Bradley informed the group that Elliot has been pushing him for an early discussion of the British paper. He stated that he had informed Elliot of the major points of concern to the JCS.

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[1] The Joint Chiefs of Staff and representatives of the Department of State had previously engaged in inconclusive discussions on this subject during the course of State–JCS liaison meetings held on July 11, July 17, and July 18. (For information on State–JCS liaison meetings, see footnote 1, p. 33.) The individuals attending the present meeting participated in the July sessions, the minutes of which are located in Lot 61 D 417 (Records of State–JCS Meetings, 1951–1959).

[2] Gen. J. Lawton Collins, Chief of Staff, U.S. Army.

[3] Adm. Lynde D. McCormick, Vice Chief of Naval Operations.

[4] Vice Adm. Arthur C. Davis, Director of the Joint Staff, Joint Chiefs of Staff.

[5] Lt. Gen. Charles L. Bolté, Deputy Chief of Staff for Plans, U.S. Army.

[6] Vice Adm. Donald B. Duncan, Deputy Chief of Naval Operations (Operations).

[7] Rear Adm. William G. Lalor, U.S. Navy (ret.), Secretary, Joint Chiefs of Staff.

[8] S. Everett Gleason, Deputy Executive Secretary, National Security Council.

[9] Reference is to the statement on atomic warfare by the British Chiefs of Staff, February 22, 1951, not printed.

[10] Reference is to a report by the Joint Strategic Survey Committee of the Joint Chiefs of Staff, July 21, commenting upon the British paper of February 22. Prior to the present meeting, the Department of State prepared comments on the JSSC report. Neither the JSSC report nor the Department of State comments is printed, but for an agreed paper of August 3, see *infra*. (S/AE Files, Lot 68 D 358)

General Vandenberg[11] expressed concern that the British might be trying to withdraw from their present commitments. This view was not shared by any other participants. Mr. Nitze thought that there was an opportunity to obtain an understanding with the British on the use of atomic weapons in contingencies not covered by treaties with the British. General Bradley and General Collins thought this might be possible.

[11] Gen. Hoyt S. Vandenberg, Chief of Staff, U.S. Air Force.

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PPS Files, Lot 64 D 563

*Paper Prepared by the Joint Strategic Survey Committee[1] and Representatives of the Department of State*

TOP SECRET [WASHINGTON, August 3, 1951.]

UNITED STATES POSITION ON CONSIDERATIONS UNDER WHICH THE UNITED STATES WILL ACCEPT WAR AND ON ATOMIC WARFARE

INTRODUCTION

1. The purpose of this study is to develop a United States position with respect to:

*a.* Those acts of aggression by the USSR and/or its satellites which, during the next two years, would force the United States to accept war; and

*b.* The employment of United States atomic weapons in such a war.

2. Security requirements indicate the inadvisability of discussing with individuals outside of the United States military Service, regardless of their security qualifications, matters intimately associated with war planning and atomic warfare. If such discussion of Sections II and III of this document must eventuate, it should be restricted to those who:

*a.* Need to know;

*b.* Have a clearance for atomic matters, or, if British, its equivalent; and

*c.* Have been warned as to the sensitive content of this study.

*Section I: Acts of Aggression by the USSR and/or Its Satellites Which, During the Next Two Years, Would Force the United States To Accept War*

3. *a.* A Soviet attack against the Continental United States, including Alaska, and Canada, would precipitate war;

*b.* An attack by the armed forces of the USSR and/or its satellites against the territory of any North Atlantic Treaty nation would probably precipitate world war;

[1] The senior advisory group to the Joint Chiefs of Staff.

*c.* An overt attack by major USSR military units against the United Nations forces in Korea would almost inevitably lead to world war;

*d.* A Soviet attack against the United States overseas possessions and/or United States bases (including Japan), would almost inevitably result in war between the USSR and the United States;

*e.* A determined attack by armed forces of the USSR against United States occupation forces in Western Germany (including Berlin), the United States Occupation Zone of Austria (including Vienna), Trieste, and/or Japan would result in war between the USSR and the United States; and

*f.* Although it is less likely that organized USSR military units will attack the Philippine Republic, a member of the Organization of American States (other than the United States), Australia, or New Zealand, such an attack would be likely to be the forerunner of world war.

4.* In the case of overt aggression by organized USSR military forces other than those outlined in paragraph 3, or in the event of further Soviet-inspired aggression in Europe, depending upon the nature and scale of the aggression and the country attacked, the United States in common prudence would have to proceed on the assumption that global war is imminent. Recognizing that its response will vary with circumstances, and subject to the specific consideration of detailed cases set forth below, the United States in this event would immediately:

*a.* Make every effort to localize the action, to stop the aggression by political measures, and to insure the unity of the free world if war nevertheless follows. These measures should include direct diplomatic action as well as resort to the United Nations, in order to:

(1) Identify the true source of the aggression;

(2) Make clear to the world that the preference of the United States was for a peaceful settlement;

(3) Consult with members of the United Nations regarding their willingness to join with the United States in military opposition to the aggression, if necessary;

*b.* Consult with selected allies;

*c.* Place itself in the best possible position to meet the eventuality of global war. Insofar as it has any choice, however, it should enter into full-scale hostilities only at the moment and in the manner most favorable to it; and

*d.* Take action with reference to the aggression in a manner best contributing to the implementation of emergency war plans, minimizing military commitments in areas of little strategic significance.

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*See paragraph 36, NSC 73/4. [Footnote in the source text. NSC 73/4, a report titled "The Position and Actions of the United States With Respect to Possible Further Soviet Moves in the Light of the Korean Situation," August 25, 1950; for text, see *Foreign Relations*, 1950, vol. I, p. 375.]

5. During the next two years and until such time as there is a major increase in the military forces in being of the Western Powers and their ability to defend Europe, the Western Powers will not be in the best position to meet the challenge of global war. Their efforts should (*a*) be urgently directed toward preventing global war from developing and (*b*) toward increasing their capabilities; † accordingly, the Western Powers must (*c*) seek to localize any conflict which may arise from Soviet aggression in parts of the world other than those listed in paragraph 3 above; and (*d*) under no circumstances must these efforts include any action which would endanger United States national security interests.

6. In consonance with subparagraphs 5 (*a*), (*b*), (*c*), and (*d*) above, and under world conditions as they now exist, in the event of an overt attack by organized USSR military forces against a single one of the following:

*a. Finland or Afghanistan:* No military action by the United States would be indicated. Such measures as might be taken by the United States to counter this aggression would, in all probability, be in the political and psychological fields;

*b. Yugoslavia:* Action by United States naval and air force units might be undertaken depending upon circumstances existing at the time, inasmuch as Yugoslavia is of great importance to the security interest of the United States;

*c. Greece or Turkey:* The United States would, in all probability, deploy such armed forces to support either or both of these countries as can be made available without jeopardizing United States security, inasmuch as these two nations are of major importance to the United States. In any event, an overt USSR attack against Greece or Turkey would, in all probability, be the forerunner of world war; and

*d. Iran:* The United States should provide such support as it can make available, short of actual deployment of United States armed forces in Iran.

7. In consonance with the considerations set forth in paragraph 5, above, under world conditions as they now exist, in the event of Soviet-inspired *Satellite* aggression against:

*a. Yugoslavia or Greece:* The United States should take the same action as if the attack were made by organized USSR military forces (Turkey could, in all probability, successfully resist Soviet-inspired satellite aggression, without non-Turkish military forces.);

*b. West Germany:* The aggression must be resisted by United States military forces in Germany. Decision as to whether the United States would resort to war would have to be made in the light of the circumstances existing at the time; and

*c. Austria:* The aggression must be resisted by United States military forces in Austria. Decision as to whether the United States would resort to war would have to be made in the light of the circumstances

†See NSC 73/4. [Footnote in the source text.]

existing at the time. (There are indigenous forces in Austria under Soviet domination which could be employed against Western Austria.)

8.‡ In the event of any new single overt act of aggression by Soviet satellite armed forces in the Far East, the United States, subject to specific consideration of detailed cases as set forth below, should:

*a.* Attempt to localize the conflict;
*b.* Take all possible countermeasures short of seriously impairing United States ability to execute emergency war plans;
*c.* Seek the support of its allies and take appropriate steps in the United Nations; and
*d.* Concurrently recognize the increased strain on the fabric of world peace.

9. In the event of Soviet *Satellite* aggression against:

*a. Formosa:* United States naval and air action would be required to prevent the fall of that island to the Communists;
*b. Korea:* In the event that current armistice negotiations in Korea fail, it would be necessary for the United Nations forces to increase the military pressure on the enemy. The sixteen nations participating in the Korean campaign should then be pressed to support the following courses of action, short of involvement in a general war with Communist China:

(1) Bring to bear on the Communist Government of China additional political and economic pressure with a view toward forcing the withdrawal of Chinese Communists from Korea;
(2) Expand immediately the potential for military operations in the Korean campaign through the commitment of additional armed force contingents; and
(3) Impose a blockade of Communist China;

*c. Hong Kong:* The United States would consider furnishing relief assistance to the British and such military assistance for the task of evacuation as may be appropriate in the light of United States military commitments and capabilities at the time;
*d. Macao:* No United States military action would be indicated;
*e. Indochina:* The United States should in concert with the United Kingdom, support France and the Associated States, accelerating and expanding the present military assistance program; and
*f. Burma and India:* The United States, acting through the British, should accelerate its assistance to the country which is attacked and should endeavor to induce neighboring states to commit ground forces to resist the aggression.

10. In connection with all of the foregoing considerations, regarding acts of aggression during the next two years which might force the United States to accept war, it should be noted that under the Constitution of the United States the power to declare war rests solely with the Congress of the United States. Further, circumstances might very probably arise in which it might be crucial that the President authorize the

‡Paragraph 38, NSC 73/4. [Footnote in the source text.]

launching of atomic attack without awaiting a formal declaration of war by the Congress. Such action is fully within the constitutional powers of the President as Commander in Chief and might be made necessary by circumstances. The views set forth in Section I of this study, however, represent the recommendations which would, in all probability, be made to the President in each or comparable circumstances, under world conditions as they are seen today only.

11. It is recognized that the consequences of a general war would be appalling. It should be possible, however, for the North Atlantic Treaty Organization (NATO) nations, particularly if reinforced by Greece, Spain, and Turkey, to carry out a program of self-help (coupled with such aid as the United States may be able to provide) which will achieve a level of military readiness which, together with United States superiority in atomic weapons, will serve as a greater deterrent against general war.

12. The United States considers that the energy and resources of the Allies must—and can—be stimulated and organized to carry out a positive program for peace which will frustrate the Kremlin design for world domination by creating a situation in the free world to which the Kremlin will be compelled to adjust (see NSC 68—paragraph immediately preceding *Recommendations*).[2] Evidence of an affirmative program of unity, strength, and willingness to wrest the initiative from the USSR appears to be the best means, short of war, to force the Kremlin eventually to abandon its present courses of action and to negotiate acceptable agreements on issues of major importance (see NSC 68—paragraph immediately preceding above referenced paragraph).

13. The United States considers that this course of action is entirely feasible and can prove successful. General war is not considered as inevitable. Nevertheless the probability of local conflicts is to be accepted if the aggressor pursues his expansionist policy unchecked. The approach to and resolution of each such crisis must be governed by numerous factors which cannot be forecast.

*Section II: The Employment of United States Atomic Weapons in a War To Resist Aggression by the USSR and/or Its Satellites*

14. The United States considers the atomic weapon to be an integral part of the general arsenal of the United States. In this connection, it is generally considered throughout the world that the United States superiority in atomic weapons is presently serving as a major deterrent to general war. There appears to be every indication that the American public would expect the atomic bomb to be used in the event of general war or in the event of other military necessity. The public of certain other nations while recognizing the value of the United

[2] NSC 68, a report titled "United States Objectives and Programs for National Security," April 14, 1950; for text, see *Foreign Relations*, 1950, vol. I, p. 234.

States potentialities in the use of the atomic bomb as a deterrent to war, may have concern over its possible use. USSR attacks with atomic weapons may be launched against the United States or any of its allies, but the nearer to the source of the atomic attacks, the greater is the fear of such attacks. That fear has been publicly expressed by certain members of the British Parliament who have gone so far as to indicate that the British should demand from the United States a veto power over United States atomic attacks. Consequently, it is of the utmost importance to have a wide base of public support for the United States, outside of the United States. The United States should direct its efforts in such a way as to assure the adherence of its allies to its cause. This must be accomplished while preserving United States freedom of action and without offering any commitments, stated or implied, which would limit such freedom of action. In any event, the United States must be prepared to use atomic weapons if and when necessary from any and all bases which may be available.

15. If general war should eventuate within the next two years, the United States would implement its emergency war plan. This plan is based on a global conflict between the USSR and its satellites on one side, and the United States, the British Commonwealth Nations, and certain other free nations of the world on the other. This plan envisions a strategic offensive in Eurasia and a strategic defensive in the Far East. In the early stages of war, a strategic air offensive, using atomic as well as conventional bombs, is the only major offensive operation considered to be within Allied capabilities.

16. If a conflict which can be localized arises as a result of Soviet or Soviet-inspired aggression and United States armed forces are involved, the United States must retain its freedom of action to employ atomic weapons in such a localized conflict if the military situation dictates.

17. It is possible that a situation, other than global or localized war, might arise in which the USSR initiated aggression with the intention of engaging the United States in a war in which the allies of the United States would seek to remain neutral. It should be one of the major objectives of policy to avoid such a contingency. If nevertheless it should eventuate, the United States would, in all probability, be forced to employ the atomic bomb, both in retardation efforts and in the implementation of the United States strategic air offensive, regardless of denials by neutral powers of the use of their bases. Such a situation will not arise if the United States can so conduct its relations that the other Western Powers will realize that neutrality in a war between the United States and the USSR is a futile hope. From the political point of view, the British, among others, would have no sound position to which they could retreat if they are not associated with the United States. If the United States

fails to conclude successfully such a conflict with the USSR, due in part to this neutrality, the result to the neutral powers would almost inevitably be their eventual national destruction or enslavement by the Communists.

18. The following is the policy of the United States on atomic warfare:

"It is recognized that, in the event of hostilities the National Military Establishment must be ready to utilize promptly and effectively all appropriate means available, including atomic weapons, in the interest of national security and must therefore plan accordingly.

"The decision as to the employment of atomic weapons in the event of war is to be made by the Chief Executive when he considers such decision to be required."§

19. There are now no United States commitments to other governments which limit the President's freedom of action in arriving at a determination to use atomic weapons. Any attempt now or in the future to prohibit or negatively to qualify the employment of atomic weapons could result catastrophically.‖

20. In the light of the foregoing no action should be taken at the present time:

*a.* To obtain a decision either to use or not to use atomic weapons in any possible future conflict; and

*b.* To obtain a decision as to the time and circumstances under which atomic weapons might or might not be employed.¶

On the other hand, the question as to the use or non-use of atomic weapons in possible future circumstances of armed conflict is being kept under continuing study under the basic hypothesis that its use would be recommended in the event of military necessity.

21. It has been agreed in the North Atlantic Council that the United States would be responsible for the conduct of a strategic air offensive against a common enemy. Inasmuch as there will not be available the great masses of bombing aircraft such as were used in World War II, the atomic phase of this offensive cannot be considered an action of last resort to be implemented only in the event more normal means of stopping aggression are not successful. The atomic attack must be implemented as soon as possible after the start of hostilities, irrespective of the area or areas of the world in which the Soviets initiate the conflict. The attack must be relentlessly pressed with vigor and resourcefulness in order to gain the maximum advantage of:

*a.* Surprise;

*b.* Concentration of force;

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§Paragraphs 12 and 13 of NSC 30, approved by the President on 16 September 1948. [Footnote in the source text. NSC 30, a report titled "United States Policy on Atomic Warfare," September 10, 1948; for text, see *Foreign Relations*, 1948, vol. I, Part 2, p. 624.]

‖See Paragraph 9, NSC 30. [Footnote in the source text.]

¶See paragraph 14, NSC 30. [Footnote in the source text.]

*c.* Tactical innovations and schemes of maneuver;

*d.* Initial low experience level of Soviet early warning, antiaircraft, and fighter defense forces; and

*e.* Initial high effectiveness of United States bomber force due to well-trained crews, and to units not yet subjected to severe attrition.

22. There is a current emergency war plan which would be implemented in the event of war between the United States and the USSR. The United States must have freedom of action in such a war to attack installations essential to the Soviet war effort, regardless of whether these installations are located in the USSR or in Soviet satellite nations. In addition, the United States must be free in a limited conflict to employ atomic weapons for purposes of retardation and of destroying enemy facilities contributing directly to the enemy operations, as well as more distant installations. This would be undertaken without necessarily implementing fully the United States strategic air offensive.

23. In the improbable situation of a war between the USSR and the United States in which the allies of the United States remain neutral, freedom of action regarding the employment of United States atomic weapons would be inherent in the situation, and the United States would expect to use its atomic weapons.

*Section III: United States Position on the Employment of Atomic Weapons*

24. In view of the foregoing, it is concluded that the United States position on the employment of atomic weapons should be that:

*a.* The United States must make every effort, short of any action which would endanger United States national security interests, to prevent war;

*b.* If the USSR, nevertheless, forces general war upon the United States and its allies, the United States, among other things, plans immediately to initiate its strategic air offensive, including the employment of atomic weapons;

*c.* In a war between the USSR and the United States in which the allies of the United States remain neutral, freedom of action in the employment of United States atomic weapons would be inherent in the situation, and the United States would expect to use its atomic weapons:

*d.* The neutrality of our allies in the event of war between the USSR and the United States would be a situation of the utmost gravity to the United States, and ultimately to them. United States efforts should be directed against such an eventuality.

*e.* In either a world war or a limited conflict in which the United States is involved, this nation must retain its freedom of action to employ atomic weapons as its national interest in the light of the world situation dictates;

*f.* The United States must avoid any arrangement or procedure which would prohibit or serve negatively to qualify its right to employ atomic weapons;

*g.* British and other European bases are not absolutely essential to a United States strategic air offensive. On the other hand, their avail-

ability is important to the conduct of that offensive and for operations in defense of the general area of Western Europe;

*h.* The United States cannot accept the concept of any "stop-line" on the ground as a *casus belli*, inasmuch as decision on such matters must depend not upon geography alone but upon the general situation which may exist locally and globally at the time of the aggression, the nature of the attack, and the apparent firmness of purpose of the attacker;

*i.* A public definition of a "stop-line" would be a grave mistake for, on the one hand, it would invite aggression up to the line and, on the other, would probably increase our overt commitments to go to war in given situations;

*j.* As long as there is no material change in the world situation, a public declaration by the United States regarding the circumstances under which it would or would not resort to general war would be unwise.

*k.* Due to the sensitiveness of the substance of the United States position herein and the study in support thereof, a breach of security with respect to these matters would gravely jeopardize the security of the United States; and

*l.* Efforts should be made to convince the world at large that, just as the United States atomic stockpile is presently acting as a major deterrent to general war, the use of the atomic weapon may well be the major factor in winning a general war. The destruction of certain targets is essential to the successful completion of a war with the USSR and the appropriate military means to accomplish their destruction must be used.

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S/AE Files, Lot 68 D 358

*Memorandum Prepared in the Department of State* [1]

TOP SECRET [WASHINGTON,] August 4, 1951.

TACTICS IN DISCUSSIONS WITH BRITISH

The following points are ones that should be kept in mind in working out with General Marshall and the Joint Chiefs the manner of dealing with the questions raised in the Slessor paper.[2]

1. A continuing exchange of views with the British, without commitment on our part, as to the developing world situations which may have a bearing on the question of the use or non-use of atomic weapons will diminish any danger that may exist of finding ourselves in a war with the USSR without our most important allies.

2. While it would be clearly desirable from the point of view of developing and being able to carry out U.S. strategic war plans to

[1] Prepared by H. Freeman Matthews, Deputy Under Secretary of State for Political Affairs; John H. Ferguson, Deputy Director of the Policy Planning Staff; and R. Gordon Arneson, Special Assistant to the Secretary of State for Atomic Energy Affairs.

[2] Reference is to the February 22 paper by the British Chiefs of Staff on employment of atomic weapons, not printed.

obtain agreement from the British that we could use U.K. bases in any circumstances, such agreement is undoubtedly unobtainable from any sovereign state. We should, however, seek to obtain British assurance that they will not make any decision in advance that there are circumstances in which U.K. bases would not be available.

3. The military have indicated their preference for a military exchange of views with the British on this subject, if any exchange of views is undertaken. At least Bradley, Collins, and McCormick appear to recognize that political discussions will be necessary at some stage.

4. It will certainly be necessary in due course to carry on continuing conversations with the British on the political level.

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S/AE Files, Lot 68 D 358

*Memorandum of Conversation, by the Deputy Director of the Policy Planning Staff (Ferguson)*

TOP SECRET [WASHINGTON,] August 6, 1951.

Subject: Discussions with British regarding use of atomic weapons

Participants: *Joint Chiefs of Staff:* General Bradley, General Collins, General Vandenberg, Admiral McCormick, General Bolte, Admiral Duncan, General White,[1] Admiral Lalor, Lt. Col. Addleman [*Eddleman?*]
*State:* Secretary Acheson, Mr. Matthews, Mr. Arneson, Mr. Ferguson
*Defense:* Mr. Lovett

General Bradley explained that the thing that was worrying the JCS was that political-military talks with the British might end up in some implied agreement or commitment ahead of time. He thought that our Chiefs should discuss the matter with their Chiefs since this would not commit anyone. He said he did not know whether that would satisfy the British. He said that his people had the feeling the agreed paper [2] went beyond NSC 30 [3] and NSC 73/4 [4] and they weren't sure but that it should go to the NSC. He explained that he was not quite sure whether some of it should be used for discussion with the British or what should be done.

The Secretary of State explained that this matter started with the Truman–Attlee talks and the communiqué that was written at that

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[1] Lt. Gen. Thomas D. White, Deputy Chief of Staff, Operations, United States Air Force.

[2] Dated August 3, p. 866.

[3] NSC 30, a report on atomic warfare policy, September 10, 1948, is printed in *Foreign Relations*, 1948, vol. I, Part 2, p. 624.

[4] NSC 73/4, a report on possible Soviet moves, August 25, 1950, is printed *ibid.*, 1950, vol. I, p. 375.

time. He said that Attlee asked to see the President alone and then came out with a paragraph saying that he and the President had agreed the U.S. would not use the bomb without consulting the British. The Secretary said that he and Mr. Lovett went in to see the President and pointed out the disadvantages of such a commitment and the President told them to talk the matter over with Attlee and Franks and work out a new paragraph. This was done and it took the form of the paragraph in the communiqué which said the President would keep in touch with the Prime Minister on the world situation.

The Secretary also explained that Ambassador Franks had come to his house and showed him the Slessor paper and asked what he ought to do about it. The Secretary told him that there would certainly be trouble in starting on a course what would attempt to bind us on prior consultation or limit our use of the bomb. He told Ambassador Franks that he should go along with what the President had approved and Ambassador Franks consulted his Government on that basis. Later the British gave a copy of the Slessor paper to General Bradley and to the State Department. The Secretary said that we had tried all along to limit the thing to a review of the situation. He added that this had a bearing on the talks with the Canadians where we have been trying to get agreement with Canada to use their bases as if they were our own, which we had not been able to do. We do, however, meet with them and review the situation in the world every few weeks, and we think this the best way to go about the problem.

The Secretary said we must avoid a commitment and what we want to do is to work toward a situation in which our allies will go along with us and go along promptly. We can't successfully take the position that they must give us a blank check. They feel that if a strike takes off from their territory there will be one coming back the other way.

The Secretary said he thought it would be helpful to work out some procedure for political and military talks, together or separately, with the British, giving them in general our view of the situations in the world but with no commitment. He said he had hoped what we could do, perhaps after the President had seen the paper, was to talk over with the British those places in which the dangers looked greater at any given time and those places in which we might act differently than in other places. He explained that of course whatever our views of these dangers were, the decision would always have to be made by the President and we could not commit or bind him in any way.

General Bradley said that their feeling was that if this thing could be approached on the basis of what would mean world war they would not be so worried. When the British try to tie the question to the bomb, the Chiefs feel that they are trying to get a commitment on its use.

Mr. Lovett remarked that Slessor had talked quite frankly about this and made it clear that they were interested in the use of the atomic bomb.

The Secretary of State said he was sure that the British had started out with that idea, but that it was also true that there is some identity between the use of the atomic bomb and general war. He said he would not draw the conclusion that because the British wanted to do something we did not want to do that we should not talk at all.

Mr. Lovett asked whether there were not two problems: conditions which might precipitate war, and the use of the atomic bomb.

General Collins said that a further complication is that we all agree that in the event of war we will use the atomic bomb tactically. He said that he [*if*] we could limit the discussion to what would lead to general war it would be okay with him.

General Vandenberg said that it makes one suspicious in view of the fact that the British had tried to get the President on the line, the fact that Slessor and Elliot have tried to smooth the thing over, and the way the paper was presented to the State Department. He thought they were trying to get an implied commitment. He said with the Canadians you can lay it on the table and they will understand it. He thought we should first have military discussions and say we can make no commitment and in this way we can find out whether there is more than meets the eye in the British approach. After these discussions have gone on for some time General Vandenberg felt that we could decide whether to talk on the political basis. He wondered whether the agreed State–JCS Working Group paper should have the blessing of the Secretaries of State and Defense and the President before we even start the military talks. He thought we could talk without actually using a paper in the discussions and that would be an additional protection for the State Department.

General Bradley thought the British would talk on a military level first but that they would insist on political talks and finally talks on the Prime Minister–President basis.

Mr. Lovett asked if we could not say we have nothing to discuss on atomic matters so that the talks would only be about what would kick off a war. Mr. Acheson said he agreed pretty much with what Mr. Lovett and General Vandenberg had said but that of course this was a life and death matter for the British and they will want to know whether we are sober and responsible. He felt that the British had a right to know what the Chiefs and we and the President think about these questions. He feels that if we could get into the heads of the British the idea that we were very serious about these questions we would be in a much better position if a crisis arose. He felt that with respect to the atomic part we could say that their conclusion is

ours, i.e. that we cannot imagine a real war without the use of the atomic bomb.

Mr. Lovett wondered if there was not another point and suggested that if Russia stepped into Korea he assumed that would be war as far as we were concerned but that some of our allies might not think so. He said that if we treated it as a full war we would throw the book at them and whether we got into war alone or with allies we would have to use everything. The Secretary of State said that the British needed education on how serious to our national interest an attack by the Russians on Korea and Japan would be.

General Collins said he thought we should start on a military basis and see what the British were after. He thought we could take the line that war would mean the use of the atomic bomb and then look at situations where our military men would recommend going to war. After discussions with the British General Vandenberg thought the Chiefs could get together with the State Department representatives and let them know what the military had learned so that the State Department representatives would be prepared for the political talks. He thought one thing we should find out was whether the British were prepared to deny us bases unless we made commitments.

Mr. Matthews said he was sure this was not the case. Mr. Lovett remarked that on British bases we had to remember we were guests and could not use them if they did not want us to.

General Collins thought that possibly the difficulties we were having with the British over Spain related to the fact that we might secure bases in Spain which we could use for atomic attacks, and Secretary Acheson thought that might be so but that there was nothing reprehensible about it. He said that after all they are now the tail of the kite and they are concerned about where the kite is going. He felt that the British had lodged their paper on the question of the atomic bomb because there had once been an agreement with respect to that and they realize that they cannot get a treaty with us saying neither of us will go to war without the other's consent. The Secretary said he should hope that what we would do, realizing what the British are trying to do, is say clearly that they will not get a commitment but that we will go over the situation with them. He thought there was real merit in having military talks first. He thought, for instance, that the military could explain that in the event of attack on us in Korea by the Russians the matter would be so serious we would have to react with everything we have. He felt that they should also understand that if we get into war by carrying the burden of defense in the Pacific they would have to go along with us, just as we will go along if Europe is attacked.

Admiral McCormick asked whether the military should have advice from the State Department before talking with the British and Gen-

eral Vandenberg asked whether we should go over the agreed Working Paper and take out what we don't like and get it cleared. General Bradley felt it would be better if the military simply spoke for themselves.

General Vandenberg asked if the military should insist on talking with the British Chiefs and General Collins said he thought they should and that they should insist in talking to all of the British Chiefs. General Bradley suggested that they say there must be at least one of the British Chiefs present.

General Collins reverted to the agreed Working Paper and said they should not use this paper since it talked about the use of the atomic bomb. Admiral McCormick thought it would be better to have another paper and clear it with the State Department before using it. General Collins did not agree but thought the military should say what they would recommend without bringing the State Department into it. Mr. Acheson said that he would not show the agreed Working Paper to anyone, but if it is agreed that the use of the atomic bomb means war the Working Paper could be used as a basis of discussion. General Collins said that he would go so far as to say that the atomic bomb should be used only in general war but Mr. Lovett felt that we should not say that because it was a self-imposed limitation. General Vandenberg said that the Chiefs did not agree with some of the things in the paper. General Collins pointed out that the military would not use Parts II and III of the paper at all. General Vandenberg thought that even with respect to Section I the object of the talks ought to be to get the British views, but General Collins felt we had to go further than that and tell the British what we would recommend under present circumstances. Mr. Matthews said that if the Chiefs differed with any of the material in Part I of the paper he felt the State Department should go over the disagreements before the Chiefs met with the British. General Vandenberg then said that there was no material difference of opinion with respect to Part I, that the differences related only to Parts II and III which would not be used.

The Secretary of State said that if the Chiefs meant by omitting Parts II and III in the talks that they would not tell the British what those portions were about, that was fine but he felt that Parts II and III would help him if he were doing the talking and might also help the Chiefs.

Mr. Lovett urged that when talking of the atomic bomb we should not speak only of general war because we might be in a war with the U.S.S.R. and use the bomb without it being a general war, and the Secretary of State agreed.

General Bradley said that the Chiefs would go ahead and hold the military discussions and say that if there is war with Russia we will

use the atomic bomb. Mr. Lovett then mentioned the possibility of the Bereitschaften moving against our troops in Germany or some of the eastern satellites coming in, and asked whether we would want to limit ourselves and say we would not use the atomic bomb. General Bradley said we would not limit it, we would simply say that we would use the bomb in a war against the U.S.S.R. and whether we would use it in other circumstances would depend on the situation existing at the time.

[Here follows discussion of other matters.]

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S/AE Files, Lot 68 D 358

*Memorandum of Conversation, by the Ambassador at Large (Jessup)*

TOP SECRET [WASHINGTON,] September 11, 1951.

EYES ONLY

Subject: US–UK Consultation on Atomic Warfare

Participants: Mr. Morrison (U.K.)[1]
Sir Oliver Franks
Air Marshal Sir William Elliot
General Sir Kenneth MacLean [2]
Sir Pierson Dixon [3]
Junior member of British Delegation
Secretary (U.S.)
Mr. Jessup

Mr. Morrison requested a private meeting with the Secretary at the end of the US–UK talk yesterday afternoon.[4] He raised the questions proposed by a paper which I understood was written by the British Joint Chiefs on the subject of atomic warfare and the exchange of information on atomic development.[5] MR. MORRISON said that the principal question was consultation by the US with the UK before the use of the atomic bomb. He hoped to be able to receive some reply from the Secretary which he could take back with him. The Secretary said that he had discussed the matter with General Marshall and General Bradley, and that General Bradley was prepared to talk with Air Marshal Elliot. AIR MARSHAL ELLIOT said that Bradley had so informed him, but that the question remained of politico-military talks. He wondered whether he and Sir Oliver could talk with General Bradley and someone from the State De-

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[1] Herbert S. Morrison, British Secretary of State for Foreign Affairs, March–October 1951.

[2] Chief Staff Officer, British Ministry of Defence.

[3] British Deputy Under Secretary of State for Foreign Affairs.

[4] For documentation on the meetings of the Foreign Ministers of the United States, United Kingdom, and France at Washington, September 10–14, see vol. III, pp. 1163 ff.

[5] Reference is to the British paper of February 22, not printed.

partment this week in order that Mr. Morrison would know the outcome before he returned. Mr. Morrison said that he would very much like to be able to talk finally about this with the Secretary before he left. He said Mr. Attlee might be questioned in the House almost any time as to whether the U.S. had agreed to consult. He referred to the conversations between Ambassador Douglas and Mr. Bevin in regard to the agreement on the use of bases in the U.K. He referred also to the conversations between Prime Minister Attlee and the President. He said the question of consultation was broader than the use of bases in the U.K. He thought that perhaps consultation should include the U.K. and Canada and said the Prime Minister felt strongly about it.

The Secretary said that he was not sure whether there would be time enough to get results this week. He said there were a good many aspects to it which needed to be discussed very thoroughly. Sir Oliver Franks supported this view but suggested that Bradley and Elliot might begin their talk at once and that then they could be joined by himself and someone from the State Department to carry the discussions further.

The Secretary said it was necessary to discuss the situations which might bring on general war. A discussion of specific situations might lead to actual practical solutions. This was in line with the U.K. paper. However, situations would change and agreements reached might need to be reviewed soon and this would make it necessary for us constantly to keep in touch. In regard to the use of the atomic weapon, the question might arise when we might use it and from what places we might deliver it. There was a difference between bases in the U.K. and our action elsewhere. He referred to the law in the U.S. which limited what we could do. Sir Oliver and Mr. Morrison stressed that it was important that the latter should be able to report real progress and hoped that talks could begin particularly on the question of consultation. Air Marshal Elliot expressed the view that purely military talks would not be sufficient. Mr. Morrison returned to the difficulties of the Prime Minister in the House of Commons and said it would be a very bad situation if first the British knew of the use of their bases was after a bomb had been dropped. He said he was not interested in strategic details and doubted whether he and Mr. Acheson could discuss those satisfactorily, but he did think that discussions should start. The Secretary said that this was a most difficult question and he could not give an answer now. He repeated that the talk on specific issues might solve the problem. Any major war might involve the use of the atomic weapon. It was inconceivable that the U.S. would get into a war without knowing whether it had allies or not. If the situations were discussed, we would get clarification. In regard to the use of the bases in the U.K., he saw no difficulty in the question of prior consultation with the U.K. before those bases were used. In another situation, he supposed all

agreed that if Chicago were bombed we would go ahead with retaliation. Situation here was, however, that if the President was asked whether he had any agreement which prohibited the use of the atomic weapon under any circumstances, he had to answer "no." It was the same as the question of the use of the battleship *Missouri*.

In answer to Mr. Morrison's question as to how the Prime Minister could answer questions in Parliament, THE SECRETARY said he didn't know but he thought this would be soluble if they would discuss the international situations. MR. MORRISON inquired whether under the American law it would be possible to say that we have been in consultation on the subject and are in agreement. THE SECRETARY again indicated that he thought the Prime Minister's answer could be worked out but he was not sure how soon. He thought that progress could be made if Elliot and Bradley began their conversations. AIR MARSHAL ELLIOT said this would not be enough for Mr. Morrison's needs, but THE SECRETARY thought that this would get us on the road and we should make this attempt while Mr. Morrison was here.

MR. MORRISON then referred to the question of American complaints about security of British personnel in this field. He thought the Americans were insisting that the U.K. should follow the American practice of having all workers sign forms saying that they were not and had not been communists. He doubted whether this was useful. He also raised the question of the exchange of atomic information.[6] He said it would help him greatly at home if he received an understanding that the U.S. would seek an amendment to the McMahon Act[7] on the exchange of information. The Secretary said this was a very hard thing to do. We had been on the verge of doing this twice. The first time the Fuchs case arose and the second time there was the case of the man with the Italian name.[8] He said Congress was now "horse head shy." He did not know about the question of method of securing security information, but security was vital. However, MR. MORRISON said it was not fair to seek an amendment to the Act as his instructions called upon him to do but it would help if the Secretary could say that the Administration would do what it can.

THE SECRETARY said that they were considering the matter and tried to do something but that for the reasons indicated they had been unsuccessful. MR. MORRISON asked again whether the Secretary could assure him that whenever the opportunity arrived the Administration would do its best to get action in Congress. THE SECRETARY inquired whether such an undertaking would be announced in the House of Commons, to which MR. MORRISON said "no." SIR OLIVER confirmed him that this would not be necessary. MR. MORRISON said

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[6] For documentation on this subject, see pp. 685 ff.

[7] Reference is to the Atomic Energy Act of 1946, Public Law 585, 79th Cong. (60 Stat. 755).

[8] Regarding the Fuchs and Pontecorvo cases, see footnote 9, p. 758.

it would not be fair to the Secretary to make such a statement in the House, but he wanted to use it in the Cabinet. THE SECRETARY said he would take the matter under consideration.

After the British withdrew, the Secretary asked me to bring this matter to Mr. Matthews' attention and ask him to give the Secretary a recommendation. We discussed the possibility of suggesting some kind of statement which Mr. Morrison could make couched in general terms of consultation on war situations and perhaps dealing separately with the use of British bases but without specific reference to the atomic weapon.

PHILIP C. JESSUP

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S/AE Files, Lot 68 D 358

*Memorandum of Conversation, by the Director of the Policy Planning Staff (Nitze)*

TOP SECRET [WASHINGTON,] September 13, 1951.

Subject: U.S.–U.K. Political-Military Meeting

Participants: *United Kingdom*
Sir Oliver Franks
Air Marshal Sir William Elliot
F. W. Marten
*United States*
General Bradley
Colonel Carns [1]
Mr. Matthews
Mr. Nitze

SIR OLIVER opened the discussion by referring to certain circumstances which had grown up around the issue due to the lapse of time. He said that the U.K. had wanted and still wants badly to begin the discussions. He then outlined two points with respect to the paper which they had submitted.

The first point about their paper was its tentative basis. It was not a formal view. They agreed that topics of this importance should not be dealt with in that way. He stressed that there was real flexibility on their side; that the paper had been submitted only as a basis for discussion. The second point was that the paper approached the problem solely in the light of the next two years, say, to mid-summer 1953. What they had in mind were incidents of mounting tension which might accompany our build-up of strength at a time when Western Europe's conventional defenses were grossly inadequate.

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[1] Col. Edwin H. J. Carns, Deputy Secretary, Joint Chiefs of Staff.

Sir Oliver then went on to say that in his mind two general categories of issues arise from, or are dealt with in, the paper. The first category involved military judgments or have their basis in military judgments, although they also have important political connotations. This series of issues includes the appraisal of the strategic significance of particular areas and also some of the principles or qualifications which would apply to the way in which aggression would be handled in particular cases. He used as illustrations of this point certain of the paragraphs in their paper which draw attention to certain things which should be considered before general war is accepted, such as the possibilities of localizing the aggression, action in the UN, etc.

The second category of issues which he referred to he described as being largely problems of consultation which were political in essence, although the military background of these issues was clearly also of importance. Under this heading he referred first to the problem of consultation in regard to our use of U.K. bases for actual military operations. Sir Oliver said that he imagined this would not present any difficulty because he assumed our views were in conformity with their own. However, in the talks in London, arising out of the delay in initiating discussions, this point had been raised and as it turned out no paper happened to exist. The only reference they could find to this problem was a memorandum of conversation between Douglas and Bevin.

The second point under this general heading was consultation on the wider range of problems. Their thoughts on this matter were tentative. They realized that they were dealing with an issue which touched the fundamentals of sovereignty. They also realized that the particular history associated with the development of atomic weapons, the fact that we had developed the weapon and felt a particular sense of responsibility with respect to its use, gave us a concern which centers in our concern for the powers of the President in this matter. He thought that part of the trouble in considering this matter arose from difficulties in the use of language. If they were suggesting that we reach agreement with respect to the use of atomic weapons and the circumstances under which we would both accept general war and if they were suggesting that this agreement be publicly announced, then they could see that we would have very real difficulties. Other ways of handling the matter may, however, produce less difficulty.

Sir Oliver then went on to indicate why the U.K. was worrying about this problem. His first point was that the U.K. and its overseas territories would be important in any general war. They felt that in matters involving general war the U.K. should be treated seriously and with confidence. Secondly, that if general war comes, peoples must go into it in good heart, with good conscience, and a clear mind. His third point was that over a relatively short period it is considered that the

USSR could move into most if not all of Western Europe. In terms not of final defeat or victory but in the sense of preserving the cradle of civilization, they feel that they have a particular concern. They feel that in the next two or three years this risk is one which cannot be disregarded.

SIR OLIVER then addressed himself to the question as to how we handle the problem presented. He thought that the main problem was how we sort ourselves out on the problem of consultation and what we can do about it. He said that they do understand some of the stops that are on us with respect to consultation.

SIR OLIVER then said he wished to make one point of a different category. He said they felt our approach to the problem had not been hurried. He felt strongly that we ought to be getting on with it prior to Mr. Morrison's departure. The Prime Minister and the Cabinet had indicated that they expected real progress by the time of Mr. Morrison's return. He leaves this continent on the 21st. It was Sir Oliver's hope that by that time we could bring this question into some sort of order so that Mr. Morrison can be clear as to what he can say to the Prime Minister before he leaves.

MR. MATTHEWS said that certain progress had already been made in that we were having this meeting. GENERAL BRADLEY referred to the military discussions which had taken place with Elliot that morning. SIR OLIVER said that he appreciated the speed with which this meeting had been set up and the fact that we were at last talking, but he felt that Mr. Morrison must be in a position to report further progress. By way of illustration, the Prime Minister must be in a position to state in answer to questions that the U.K. remains in control over its own bases. MR. MATTHEWS stated that prior consultation and agreement with the U.K. would obviously be required before we used U.K. bases for military operations and that the basic question of sovereignty was involved. GENERAL BRADLEY concurred and went on to generalize the point that we did not intend to use anybody's territory without their consent, certainly in the initial stages of a war, and thereafter only in so far as captured enemy territory was involved.

MR. NITZE said that if it were necessary publicly to make the point that the U.K. maintains control over its own bases it might be wise to make concurrently the other point that the West must stand together or run grave risk of being defeated piecemeal. SIR OLIVER agreed that the basic problem was of a much wider nature and that the problem of U.K. control over its own bases was essentially illusory.

MR. MATTHEWS said that he would prefer to put our discussion of the problem in the context of the possibility of general war rather than the use of the atom bomb and that we should attempt to bring our viewpoints as close together as possible on what we would do in

the event of situations which could be expected to lead to general war. We are just as loathe as the British to contemplate the contingency of general war. There would seem to be every advantage in exploring what is in each other's minds. Clearly there is a deep question of sovereignty involved. We cannot make any commitment not to go to war and know what it might mean to the future of civilization. The thing to do is to keep in close touch as to what each is contemplating. We should keep our thinking as close together as possible. Then the necessary ground work would be laid, and we would have had prior discussion as to what situations or principles were considered to be of a vital nature. SIR OLIVER agreed that it might be wise to limit discussion to the subject of general war.

MR. NITZE said that the problem seemed to be one of meeting concurrently the problems raised by the issue of sovereignty and the desirability of having frank discussions. The reasons underlying the importance to the U.K. of such discussions were clearly brought out by Sir Oliver in his three points and we were in agreement. We could, however, make no commitment or agreement or follow a procedure which would give any aura of having given a commitment or agreement. On the other hand, we desired to have frank discussions.

AIR MARSHAL ELLIOT said that the outcome which they desire was an agreement on the form of consultation to be undertaken prior to going to general war. He said that the difficulty was that we weren't the aggressor and, therefore, it was difficult to foresee the exact contingencies which might lead to war. In the military discussions that morning they had gone into hypothetical cases. It seemed to him to be an academic exercise involving all manner of contingencies. The important thing was to agree on the procedure for consultation before taking action.

GENERAL BRADLEY said that he felt that the military discussion that morning had been useful.

MR. NITZE referred to the Slessor paper and its treatment of the Japanese problem. He thought that further discussion with respect to what we would both do in the event of Soviet aggression against Japan was important because we found ourselves in serious disagreement with the position set forth in the Slessor paper.

SIR OLIVER said that he had found the discussions with General Bradley and Mr. Jessup along the lines we had been following in July 1950 to be of great usefulness.[2]

AIR MARSHAL ELLIOT went back to his original position, however, by saying that what they wanted to know was what would happen in the event the detailed point arises. Would we consult with the U.K. in advance of taking action, or not.

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[2] For documentation on U.S. relations with the United Kingdom during 1950, including material on political-military discussions, see *Foreign Relations*, 1950, vol. III, pp. 1598 ff.

Mr. Nitze said that we could not make a commitment, even if it were only on the problem of consultation. Having a policy of desiring to talk and setting up procedures which would facilitate talking was something else than making a commitment.

Sir Oliver said he assumed we would want to discuss situations and possible changes in situations which would raise a red flag. Certainly there were cases in which no one would consult prior to taking action (such as the extreme examples of the bombing of Chicago or London); there were other cases when no one would think of going to general war. He said that he did not feel that we objected to talking to the U.K. We were doing that and, he thought, we would go on doing that. He said it was their intention and he thought our intention if something critical arose that we would make a point of talking before taking an action which would have the effect of accepting general war.

Air Marshal Elliot said that general war was a euphemism for the use of the atomic bomb.

Sir Oliver said that obviously if there was a general war the use of the atomic bomb would be involved. Mr. Nitze said that he thought it was necessary to make a caveat with respect to the use of atomic weapons in local situations. We had discussed this possibility in connection with Yugoslavia and had both expressed the view that it was conceivable that the use of atomic weapons in connection with aggression against Yugoslavia might be better calculated to localize the conflict rather than to spread it. At the present time it was our judgment that this was probably not the case, but we were both of the view that the issue should not be foreclosed but left open for consideration in the light of the circumstances existing at the time. Similar considerations might arise with respect to other types of local aggression.

Having made that general caveat, Mr. Nitze said that he thought the rest of the discussion could appropriately be restricted to the problem of general war.

Sir Oliver said that in the event a situation arose wherein we were contemplating the use of atomic weapons in a case of local aggression he certainly would expect that there would be consultation because of the risk that this action would bring on general war. He turned to General Bradley and asked him if what he had been saying had been making sense to him (General Bradley).

General Bradley said that we were discussing the Yugoslav case with the U.K. and expected to discuss it with the other countries having a major interest. We were now discussing with the U.K. and the French the problem of supplying Yugoslavia with arms.

Air Marshal Elliot said that there were certain points which had not been discussed, such as the question of an ultimatum. He turned to Sir Oliver and asked him whether he would consider that it would advance the position if the U.S. were to produce a paper. Sir Oliver

said that he was sure it would be, but he was trying to decide what Attlee or Churchill would want him to be asking for. It seemed to him that they would want him to ask for the following: 1. Opportunities for free discussions, such as the one being conducted, when particular situations arise; 2. opportunities for our two countries to discuss situations which might at some future time arise, e.g., Yugoslavia; 3. opportunities to discuss certain more general principles, that is the way in which we would approach borderline cases, etc., to find out where we are together or divergent in our thinking. In 10 Downing Street they would want to know whether we have the general intention of doing these three things. In the event of a crisis, the Prime Minister would want to be in a position to communicate to the President in the light of the points of view which had been developed in the above discussions. He would want to avoid being in the position of having to communicate without the background which the discussions would give. Sir Oliver went on to say that he didn't think the U.K. was asking for a specific agreement, that we would consult with them in advance of using the atomic bomb in cases x, y and z, which agreement could be made public. If they were asking for that, he was sure that our answer would be no. The U.K. does want, however, an expression of general intent.

Then followed a further discussion of the three types of consultation which Sir Oliver had outlined. Air Marshal Elliot said that the first type related to a particular event; that the second type was a hypothetical exercise; the third type related to the principles which might be applied to particular events.

Sir Oliver referred to the last sentence of Section 11(*b*) of their paper, which reads as follows: "We may therefore have to accept some further loss of ground, some further strategic retreat in the political field, as long as it would not be literally vital to the Western position."

He said, suppose the U.S. had reached an opinion that we had reached the point where the policy of containment must be absolute then the U.K. would like to discuss that with us. Sir Oliver went on to say that if we were clear that regularly and as appropriate there would be discussions of the three types he had listed above, then we would have an informal understanding that it was our intention to consult.

Air Marshal Elliot asked how often would the talks take place and with whom. Mr. Matthews said that he would visualize talks of the type and the frequency of the Bradley–Jessup talks and that he thought it would be mutually advantageous to continue them. General Bradley said that he thought the decision as to whether to have such discussions was up to the State Department since this was a political, not a military matter.

Mr. Nitze said that he thought we might be able to agree to Sir Oliver's three points, provided they could agree to three points on our side. These were: 1. That it was not our intention to make any commitment limiting our sovereignty in any way with respect to either general war or the use of atomic weapons; 2. that the talks were to be without commitment—that they would merely be an exchange of views; 3. that we would be under no commitment to talk—that we would be merely indicating our present intent to talk.

Sir Oliver said that he understood that there should be no formal agreement or treaty, but that he felt that an expression of intent is in a certain sense a commitment. Mr. Nitze said no, and that we wanted to be absolutely clear about this. Expression of present intention should, of course, be an honest expression of such an intent, but that it could in no way be a commitment for the future. Mr. Matthews agreed on the importance of this. General Bradley said we were not prepared to obligate ourselves to consult and there should be no public announcement to the effect that we had. Mr. Nitze said that he thought the thing to do was to start the talks and try to bring our viewpoints as closely as possible together and to set up procedures which would facilitate further appropriate talks. He said that he was troubled by the same point that Sir Oliver had made earlier—that language was sometimes interpreted differently. If, for instance, the Prime Minister were to say that the U.S. and U.K. had agreed to consult on these matters this language might be subject to misinterpretation both in the U.K. and here, and that it was very important that we be clear on this point so that there be no opportunity for language being used which could confuse the situation.

At this point Mr. Matthews showed Sir Oliver, but did not leave with him, the memorandum outlining the type of statement which we thought the Prime Minister might be able to make.[3] Sir Oliver read the memorandum and said that he thought the work that had gone into preparing it would not be without usefulness. He then turned to Mr. Nitze and said, "I see that you are a behaviorist." He then turned to Mr. Matthews and said he felt that he saw clearly where we were. He felt that he had stated his position and he wanted to check and think about the matter further and see whether he would come back happy or unhappy.

Then followed further discussion of the Japanese problem in which General Bradley indicated that General Ridgway takes a more serious view of the possibility of an attack on Japan then we do here, but that it was clear that if the USSR attacked our forces in Japan we would be at war with the USSR and that it would not be a local situation.

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[3] *Post*, p. 894.

AIR MARSHAL ELLIOT again suggested that we exchange papers on these various matters. MR. MATTHEWS said that he thought it was probably wiser not to exchange papers; that the printed word tended to freeze or make rigid and formal any exchange of views which might lead to later misunderstandings. At this point, SIR OLIVER arose to leave and said he would be in touch with us later. He said in the hall he thought the talk had been really useful and cleared the situation somewhat.

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S/AE Files, Lot 68 D 358

*Memorandum by the Deputy Under Secretary of State for Political Affairs (Matthews) to the Secretary of State* [1]

TOP SECRET [WASHINGTON,] September 13, 1951.

Subject: Summary of discussion between Sir Oliver Franks, Air Marshal Sir William Elliot, General Bradley, Messrs. Nitze and Matthews [2]

On the question of whether we proposed to use U.K. bases without their consent, we stated, and General Bradley concurred, that prior consultation and agreement with them would obviously be required.

Sir Oliver agreed with our suggestion that the whole issue of developing situations be considered on the basis of whether or not they were likely to lead to general war and not on the issue of whether the atomic bomb was to be employed.

On the more general question of consultation, it became clear that a real issue existed.

Franks was perfectly willing to concede that there were certain areas where we could make no commitment as to what we would do or make a commitment to consult prior to taking action; on the other hand, he clearly was under instructions to find as broad an area as possible, and as easy language for us to take as possible, which would define a field in which we were obligated to talk to them.

Our position was that we wanted to talk to them as frankly and in as broad an area as possible, but that we could not enter into any agreement or commitment or procedure that would imply a commitment, even a commitment to continue to talk or to follow any given procedure. Our suggestion was that we begin to exchange views without commitment and rely on the developing practice to bring our respective viewpoints as close together as possible.

Franks raised the question of what Mr. Morrison could say to the Prime Minister on his return, and possibly to the Commons. Mr.

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[1] Drafted by Matthews and Paul H. Nitze, Director of the Policy Planning Staff.

[2] The following handwritten marginal notation appears at this point on the source text: "A detailed report is attached." Reference is presumably to the memorandum of conversation by Nitze, *supra*.

Matthews showed him, but did not leave with him, the draft statement,[3] the original of which the Secretary has. Franks indicated that this might be a useful approach.

Franks left us with the impression that he understood and appreciated our point of view, that it did not meet what he was under instruction to get, and that he would have to talk to Mr. Morrison before he could tell us whether he was happy with the situation or not.

[3] *Post*, p. 894.

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S/AE Files, Lot 68 D 358

*Memorandum of Conversation, by the Special Assistant to the Secretary of State (Arneson)*

TOP SECRET [WASHINGTON,] October 17, 1951.

Subject: Proposed U.K. Statements Concerning
1. Use of U.K. Bases
2. U.S.–U.K. Discussions on Use of Atomic Weapons

Participants: *United States*
Mr. Matthews
Mr. Arneson
Mr. Chase
*United Kingdom*
Sir Christopher Steel [1]
Mr. Marten

Mr. Steel came in to see Mr. Matthews at 5 p. m., Wednesday, October 17, 1951, at the former's request. MR. STEEL recounted that a U.K. draft statement on the use of U.K. bases which might be used by the Prime Minister or the Foreign Secretary had been shown to Mr. Arneson by Mr. Marten on October 15. He understood that the Department's reaction was generally favorable and wished to know whether the draft (attached hereto [2]) could now be considered as agreed. MR. STEEL explained that there was no intention on the part of his Government to volunteer this statement but rather to have it in readiness in the event that: (*a*) the matter were raised in the election campaign either by the Conservatives or possibly by Bevan; [3] (*b*) a question is put in the House of Commons. Moreover, in the event Churchill was returned to power it was thought desirable that this point be tidied up.[4]

MR. MATTHEWS stated that the U.K. draft seemed quite satisfactory. He went on that it had been discussed with the Secretary who thought

[1] Minister, British Embassy.
[2] Not printed.
[3] Aneurin Bevan, Member of Parliament; former member of the Labour Government.
[4] In the General Election of October 25, the Conservative Party was victorious. The following day, its leader, Winston S. Churchill, succeeded Clement R. Attlee as Prime Minister.

well of it and that the Secretary intended to talk to the President about it during the afternoon. Mr. Matthews said he wanted to await word from the Secretary as to the President's reaction before he would be in a position to tell Mr. Steel that it was all right.

*Note:* After the meeting Mr. Matthews ascertained from the Secretary that the draft was approved by the President and called Mr. Steel at approximately 6:45 to this effect.[5]

Mr. Steel stated that he could envisage a situation where either in the course of the campaign or in Commons a direct question might be put as to whether U.K. bases could be used without U.K. consent. His Government felt that if this development occurred it would feel obliged to make the additional point that U.K. bases could not be used by the U.S. without U.K. consent. Mr. Matthews stated that this was quite an understandable position and recognized that if pressed in this specific way the U.K. Government would feel obliged to respond. He urged, however, and Mr. Steel fully concurred, that this additional point would not and should not be made except under direct pressure. Mr. Steel suggested that the statement that should be used in the event of such development would read as follows: "There is naturally no question of their use in an emergency without our consent."

Mr. Steel reverted to the broader problem which had been discussed by Mr. Morrison with the Secretary on September 11, 1951, and which had also been raised by Sir Oliver Franks in the U.S.–U.K. politico-military meeting on September 13 relating to the question as to what the Prime Minister might say on the matter of U.S.–U.K. consultation on the use of atomic weapons. He recalled that in the September 13 meeting Mr. Matthews had shown Sir Oliver a draft[6] which the Department had prepared on this matter. He could now say that this draft would be very helpful to his Government and the U.K. was prepared to follow it in the event it became necessary to say anything on this subject either in the election or in Commons. He stressed that if this language could be agreed it would also be helpful in briefing Mr. Churchill should he be returned to power.

Mr. Matthews explained that the Department had done nothing further about the draft statement in view of the fact that Sir Oliver Franks had stated at the September 13 meeting that while the proposed language would appear to be useful, he wanted to think some more about the general subject and come back later to talk about it. Mr. Matthews went on, however, that he would be glad to have the subject reactivated and he would undertake to have it discussed promptly with the Secretary who doubtless would wish to discuss this point with the President as well.

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[5] Note in the source text.
[6] *Post*, p. 894.

S/AE Files, Lot 68 D 358

*Memorandum by Mr. R. Gordon Arneson*[1] *to the Secretary of State*[2]

TOP SECRET [WASHINGTON,] October 18, 1951.

Subject: Suggested Text for British Use re Consultations on Atomic Warfare

*Background*

When Mr. Morrison saw you on September 11, 1951 he raised the question of U.S. consultation with the U.K. before use of atomic weapons. He expressed concern that the Prime Minister might be asked about this matter in Commons at any time and asked what we would suggest the Prime Minister might say. You stated that a statement for Mr. Attlee's use probably could be worked out but it would take some time.

At the U.S.–U.K. politico-military meeting on September 13, Sir Oliver Franks raised the question again. Mr. Matthews showed him, but did not give him, the attached draft which you had previously seen. Sir Oliver said that the suggestion might be useful but that he wanted to think some more about the whole matter and come back later.

Yesterday, in the course of discussing with Mr. Matthews the proposed statement on the use of U.K. bases, Mr. Steel stated that the draft which had been shown to Sir Oliver on September 13 on the broader problem was acceptable to the U.K. and asked whether we were prepared to approve it. He felt it would be most helpful to have an agreed text in readiness in the event that

(1) the issue was raised in the election campaign;
(2) a question was put in the Commons;
(3) Churchill had to be briefed as the new head of the Government after the elections.

Mr. Matthews undertook to give Mr. Steel our views as soon as possible.

*Discussion*

The attached statement is quite "thin" from the U.K. point of view; it is, on the other hand, as far as we can go. Since the U.K. is prepared to accept it, it would seem desirable for us to agree on this text as promptly as possible. If Churchill is returned to head the Government he will doubtless want to get a greater commitment from

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[1] Special Assistant to the Secretary of State for Atomic Energy Affairs.

[2] The following handwritten notation by the Secretary of State appears at the top of the source text: "Approved by the President. D.A." Acheson's one-sentence memorandum on his discussion of this subject during a meeting with President Truman on October 18 indicates that approval was obtained at that time. (S/AE Files, Lot 68 D 358)

us. We should be in a better position to withstand his onslaught if this statement has already been agreed upon.

*Recommendation*

Mr. Matthews and I recommend you discuss this problem with the President when you see him today to secure his approval of the proposed statement.

R. GORDON ARNESON

[Annex]

*United States Draft Statement*

TOP SECRET

Subject: Suggested text for Prime Minister Attlee re Consultations on Atomic Warfare

"The House will recall that when I was last in Washington I discussed with the President the question of the use of atomic weapons. There emerged from these discussions the following statement which appeared in the Joint Communiqué of the conference: 'The President stated that it was his hope that world conditions would never call for the use of the atomic bomb. The President told the Prime Minister that it was also his desire to keep the Prime Minister at all times informed of developments which might bring about a change in the situation.' Since then, we and the Americans have had discussions from time to time on developments in the world situation. I would stress that the evaluations of situations made by the two Governments in these discussions must necessarily be tentative and subject to change in the light of new developments that may occur. We are convinced that by a continuing examination of our respective appraisals of developing world situations the national interests of the two countries can best be served."

[WASHINGTON,] September 12, 1951.

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742.5/11-551

*The Secretary of Defense (Lovett) to the Secretary of State*

TOP SECRET WASHINGTON, 5 November 1951.

DEAR MR. SECRETARY: The matter of an agreement with Canada regarding the use of Canadian bases and overflights of Canadian territory in connection with operations of the Strategic Air Command has been, as you know, the subject of some discussion during the past

several months. Your letter of 7 August 1951 [1] points out that views expressed from time to time by Canadian officials in discussions of the subject have indicated their disinclination to give prior consent to the use of Canadian territory for strike operations by SAC.

The subject of SAC operations over Canada was discussed on 1 and 2 August 1951 between General Bradley [2] and two Canadian officials—General Foulkes,[3] Chairman of the Chiefs of Staff and Mr. Claxton,[4] Minister of Defense. Subsequent to these discussions the Department of State received a request from Canada that the USAF member of the PJBD talk to the RCAF member concerning SAC operations. The Department of State agreed that these conversations should take place and that they should be exploratory in nature. As a result General Walsh,[5] USAF member of the PJBD, discussed this subject with Air Vice Marshal Miller,[6] RCAF member, during the course of the 20 to 25 August meetings of the PJBD. Concurrently General Henry,[7] Chairman of the U.S. Section, explored the subject with General McNaughton,[8] Chairman of the Canadian Section of the PJBD.

The memorandum for record of the Walsh–Miller conversations and of the Henry–McNaughton conversations is attached.[9] It is apparent from the views expressed during these conversations that positions previously taken with regard to SAC operations over Canada have been transcended, and it now appears probable that an agreement

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[1] Acheson's letter of August 7, 1951, to Marshall, not printed, was in reply to a letter from Lovett to Acheson, July 28, 1951, not printed, setting forth objections by the Joint Chiefs of Staff to the procedures outlined in Acheson's letter of June 14 to Marshall (p. 843). Lovett's letter stated that the JCS could perceive no justification for the Canadian Government's refusal to give prior consent to the use of Canadian bases in the event of a war entered into by the NATO nations and that the JCS believed it would be possible to develop a service-to-service procedure to notify the Canadian Government when flights of aircraft bearing atomic weapons from the United States to bases in Canada were planned. The JCS recommended, with Lovett's concurrence, that the Department of State should obtain Canadian consent to refer the matter to the PJBD (711.56342/7–2851). In his letter of August 7, Acheson stated that previous conversations had made it entirely clear that the Canadian Government would not give prior consent to the use of its territory for SAC operations and that he had no reason to believe that the PJBD would be acceptable to the Canadian Government either for the discussion of the general problem or as a channel of notification; he urged that the JCS should be requested to reconsider its position (711.56342/7–2851).

[2] General Bradley visited Ottawa on August 1 and 2 and held discussions with a number of Canadian officials. No record of the discussions under reference has been found in Department of State files.

[3] Lt. Gen. Charles Foulkes, Chairman of the Canadian Chiefs of Staff.

[4] Brooke Claxton, Canadian Minister of National Defence.

[5] Maj. Gen. Robert L. Walsh.

[6] Air Vice Marshal F. R. Miller.

[7] Maj. Gen. Guy V. Henry, Acting Chairman of the U.S. Section of the PJBD.

[8] Gen. Andrew G. L. McNaughton.

[9] The attachment does not accompany the source text. A copy of the memorandum, signed by Walsh and dated September 4, 1951, not printed, is in file 700.5611/9–451.

can be reached which, while not presently authorizing the use of Canadian territory for an actual strike, will authorize its use for non-strike operations and activities preparatory to a strike.

It was understood that the arrangements discussed by the USAF and RCAF participants in the conversations would be bilateral in nature and ex-NATO, leaving any authorizations for SAC operations under the NATO agreement as completely separate and apart from these arrangements.

As a means of clarifying and delineating the problem of SAC operations over Canada, the problem may be divided into the following three elements:

*a.* Intransit flights not involving strikes. Such intransit flights would include stops at bases in Canadian territory and overflight of Canadian territory on flights to Alaska, European areas or other bases outside Canadian territory.

*b.* Deployments to Canadian bases in preparation for a strike.

*c.* Actual strikes from Canadian bases or involving overflight of Canadian territory.

With regard to subparagraph *a.* above the recent conversations indicate the Canadian Government is prepared to grant a blanket authorization for such activities. It is understood, of course, that in connection with this authorization a mutually satisfactory prior notification procedure would be developed, preferably on a Service-to-Service level. It appears that this element of the SAC operations problem has now become a matter for confirmation at the political level rather than a matter for further negotiation.

With respect to subparagraph *b.* above the Canadians have not specifically indicated a willingness to grant a blanket prior authorization for deployment in preparation for a strike. However, it is believed that this matter should be the subject of further conversations at the political level with the Canadians with a view toward acquiring such authorization together with a mutually satisfactory prior notification procedure. The United States should give the Canadians positive assurance that, if authorization is given for such preparatory deployments, no strikes will be undertaken from Canadian bases without prior approval of the Canadian Government through Government-to-Government channels.

With respect to the SAC activities mentioned in subparagraph *c.* above it appears that this is a matter for confirmation at the political level rather than for further negotiation. The Department of Defense is prepared to accept the Canadian requirement that initial strikes from Canadian bases or overflying of Canadian territory on strike operations will not be undertaken without prior approval of the Canadian Govern-

ment through Government-to-Government channels. Thereafter the procedure should be on the basis of Service-to-Service notification.

In your letter of 14 June 1951 [10] the suggestion was made that frequent consultations should be held between appropriate officials of the Departments of State and Defense on the one hand and the Canadian Ambassador on the other, such consultations being directed toward a mutual examination of the developing world situations that may or may not necessitate the use of atomic weapons. I appreciate the intention behind the proposal and agree that frequent consultations with the Canadian Ambassador should be helpful in developing the maximum amount of confidence among the Canadians. I suggest, however, that our proposal be for consultations directed toward a mutual examination of developing world situations which may lead to war, in order that the Canadian Government may not assume that it is intended to discuss matters such as the time and place for employment of atomic weapons.

Use of the PJBD is not particularly urged as a channel for the negotiation of the high-level political agreement or for the subsequent development of details related to the notification procedure. The PJBD was recommended initially because it has representation from the three Services and the Department of State and because it has been successful in accomplishing somewhat similar arrangements in the past. As is indicated above, it appears that two of the three elements of the SAC operations problem now require only confirmation at the political level, and this confirmation could be given and secured in the course of conversations at the political level regarding authorization for deployments to Canadian bases in preparation for a strike. Once political agreement with the Canadians is reached or the basic principles of the agreement have been determined, the Department of Defense is agreeable to the use of any appropriate agency for analyzing specific requirements and determining details of the notification procedure, provided of course that there is suitable technical representation.

Sincerely yours,

For the Secretary of Defense:

MARSHALL S. CARTER
*Brigadier General, USA*
*Director, Executive Ofc*

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[10] *Ante*, p. 843.

PPS Files, Lot 64 D 563

*Substance of Discussions of State–Joint Chiefs of Staff Meeting Held in the Pentagon Building, November 21, 1951, 10:30 a.m.*[1]

[Extract]

TOP SECRET

PRESENT

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|---|---|
| General Collins | Mr. Matthews |
| Admiral Fechteler [2] | Mr. Nitze |
| General Twining [3] | Mr. Bonbright [8] |
| General Bolte | Mr. Ferguson |
| General White | Mr. Lacy [9] |
| Admiral Fife [4] | Mr. Johnson [10] |
| General Cabell [5] | Mr. Marshall [11] |
| Admiral Wooldridge [6] | Mr. Tufts |
| Admiral Lalor | Mr. Lay [12] |
| Colonel Carns | |
| General Ruffner [7] | |

. . . . . .

ADMIRAL FECHTELER: What about atomic energy questions? [13]

MR. MATTHEWS: Mr. Churchill will clearly want to take this range of questions up with us.

MR. NITZE: I thought that we would adhere to the position which we took in our previous talks—the talks that Mr. Matthews, General Bradley, Elliot, Franks and I had. That position flowed from our talks with the JCS and JSSC.

MR. MATTHEWS: We think there is an advantage to consider this in the context of the joint policies needed in the event of war. I do not think that Mr. Churchill will be prepared to accept our posi-

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[1] For information on the State–JCS meetings, see footnote 1, p. 33.

[2] Adm. William Fechteler, Chief of Naval Operations.

[3] Gen. Nathan F. Twining, Vice Chief of Staff, U.S. Air Force.

[4] Vice Adm. James Fife, Deputy Chief of Naval Operations (Operations).

[5] Maj. Gen. Charles P. Cabell, Director of the Joint Staff, Joint Chiefs of Staff.

[6] Rear Adm. Edmund T. Wooldridge, Assistant Chief of Naval Operations for Political-Military Affairs.

[7] Maj. Gen. Clark L. Ruffner, Deputy Assistant to the Secretary of Defense (International Security Affairs).

[8] James C. H. Bonbright, Deputy Assistant Secretary of State for European Affairs.

[9] William S. B. Lacy, Director of the Office of Philippine and Southeast Asian Affairs.

[10] U. Alexis Johnson, Director of the Office of Northeast Asian Affairs.

[11] C. B. Marshall, Member of the Policy Planning Staff.

[12] James S. Lay, Jr., Executive Secretary of the National Security Council.

[13] This subject arose in the context of consideration of the impending visit of Winston S. Churchill, the new British Prime Minister. Information on planning for the Churchill visit of January 1952, is included in documentation on United States relations with the United Kingdom in volume IV.

tion. He still thinks in terms of the war-time agreement [14] and full cooperation we had at that time. He will want to return to that situation if he can and probably believes that had he stayed in office, that cooperation would have been maintained.

ADMIRAL FECHTELER: In his Guild Hall speech [15] Churchill stated that the British were entitled to special consideration in this matter because of the bases problem. What does he mean in your opinion by special considerations? Does he want financial assistance or something else?

MR. MATTHEWS: No, I think he wants information and consultation regarding all atomic matters.

ADMIRAL FECHTELER: Surely he knows our law, and that led me to wonder whether he would have made this proposal public if what he had in mind was information and consultation.

MR. NITZE: Of course the law has now been modified in some respects.[16]

GENERAL COLLINS: We are working on this problem with State at the request of General Eisenhower. He has got to be able to talk with some of his staff people about atomic energy matters if they are going to plan intelligently. A position on this is being worked up regarding a modification of the law.

MR. MATTHEWS: It is clear that Churchill is going to raise these questions since he is bringing Lord Cherwell [17] with him.

. . . . . .

[14] For documentation on Churchill's request for the publication of the Quebec Agreement of 1943, see pp. 685 ff.

[15] In an address at Guildhall on November 9, Churchill stated the following: "It must not be forgotten that under the late Government we took peculiar risks in providing the principal atomic base for the United States in East Anglia, and that, in consequence, we placed ourselves in the very forefront of Soviet antagonism. We have therefore every need and every right to seek and receive the fullest consideration from Americans for our point of view, and I feel sure this will not be denied us."

[16] For documentation on the enactment on October 30 of Public Law 235, 82d Cong., amending the Atomic Energy Act of 1946, see pp. 685 ff.

[17] British Paymaster-General; adviser to the Prime Minister on scientific matters.

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*Editorial Note*

On November 21, 1951, Prime Minister Churchill was asked in the House of Commons if he planned to terminate the arrangement by which United States "atom bombers" were based in the United Kingdom. His reply was as follows:

"Certain bases and facilities in the United Kingdom were made available to the United States Air Force for the common defence of the United Kingdom and the other countries who are parties to the North Atlantic Treaty. This arrangement will continue so long as it is needed in the general interest of world peace and security." (*Parliamentary Debates*, House of Commons, 5th series, vol. 494, col. 376)

700.5611/12-751

*The British Minister (Steel) to the Deputy Under Secretary of State for Political Affairs (Matthews)*

WASHINGTON, December 7, 1951.

DEAR DOC: Tim Marten telephoned to your secretary today and left with her the text of a Parliamentary question and answer given in the House of Commons yesterday (6th December) about the use of the bases in the United Kingdom by U.S. atom bombers.

2. The following is the text of the question asked by Mr. Sydney Silverman (Labour):—

"Whether the agreement under which United States atom bomb forces are permitted to use bases in this country contains the usual provision for their withdrawal in the case that the United States of America became involved in any war in which the United Kingdom did not wish to be involved".

3. The Prime Minister replied as follows:—

"The use of these bases in an emergency would be a matter for joint decision by His Majesty's Government and the United States Government in the light of the circumstances prevailing at the time".

As you see this exactly reproduces the last sentence of our agreed text.[1]

Yours ever,

KIT

[1] This last paragraph is handwritten by Steel. The text under reference is not printed, but see the memorandum by Arneson, p. 893.

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700.5611/12-1951

*The Secretary of State to the Secretary of Defense (Lovett)*

TOP SECRET

[WASHINGTON,] December 19, 1951.

MY DEAR MR. SECRETARY: Upon receipt of the letter of November 5, 1951, signed for you by General Marshall S. Carter,[1] on the subject of an agreement with Canada regarding the use of Canadian bases and overflights of Canadian territory in connection with operations of the Strategic Air Command, Canadian officials were informally approached by officials of the Department of State with a view toward securing their reaction to the proposals contained in the subject letter.

We have recently been informed by the Canadian Embassy that this problem is under active consideration within the Canadian Government, but that, because of the absence of key Canadian officials in connection with international meetings in Paris and in Rome, Canadian reactions must await their return. As soon as these Canadian officials

[1] *Ante*, p. 894.

will have had the opportunity of studying this subject, the Department of State will proceed with further negotiations and endeavor to work out a mutually satisfactory solution to this question.

Sincerely yours, DEAN ACHESON

549-782—79——58

# THE UNITED STATES INTERNATIONAL INFORMATION PROGRAM [1]

A/MS Files, Lot 54 D 291 [2]

*Memorandum by the Assistant Secretary of State for Public Affairs (Barrett) to the Under Secretary of State (Webb) and the Deputy Under Secretary of State for Administration (Humelsine)*

CONFIDENTIAL [WASHINGTON,] January 5, 1951.

Subject: ECA–USIE [3] Relations in the Information Field

Re your conversations with Bill Foster [4] of ECA:

You should be aware of the ECA–USIE relationships and potential conflicts in the information field.

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[1] Documentation concerning the information program in specific countries or regions is included in the compilations on U.S. policies concerning those countries or regions in volumes II–VII. See, in particular, the compilation on U.S. policies with relation to Eastern Europe in volume IV. For other material relating to the information program, see pp. 1 ff.

Documentation concerning the information program in 1950 is presented in *Foreign Relations*, 1950, vol. IV, pp. 261 ff.; *ibid.*, vol. I, pp. 126 ff.; and in compilations on U.S. relations with specific countries or regions in volumes II–VII.

[2] Consolidated administrative files of the Department of State for the years 1949–1960. Documentation in these files concerning the information program is filed under USIA.

[3] The United States International Information and Educational Exchange Program, or USIE, was the operating agency within the Department of State that administered the Department's foreign information and educational exchange programs. The Department's activities in these fields had begun on a limited basis in the decade before World War II, with an Information Service, established in 1934 to assist U.S. overseas missions in interpreting U.S. policies in other countries, and a program to promote cultural relations with the American Republics, authorized by Congress in August 1939 in Public Law 355 (approved August 9, 1939; 53 Stat. 1290). During World War II, the Government developed new foreign information programs under the direction of independent agencies: the Foreign Information Service, the overseas arm of the Coordinator of Public Information, which initiated the Voice of America radio broadcasts early in 1942; the Office of War Information, which absorbed the FIS in June 1942; and the Office of the Coordinator of Inter-American Affairs (later the Office of Inter-American Affairs), which conducted an information program in the American Republics. In August 1945, President Truman abolished the OWI and transferred its informational functions and those of the OIAA to the Department of State. These programs, sharply reduced from their wartime levels, were combined with the Department's informational and cultural exchange activities in the Office of International Information and Cultural Affairs, under the direction of the Assistant Secretary of State for Public Affairs. In 1947, after Congress further reduced appropriations for the information program, the OIC was reorganized and renamed the Office of International Information and Educational Exchange. In August 1946, Congress authorized an educational exchange program by Public Law 584, or the Fulbright Act (approved August 1, 1946;

As you know, ECA originally set up a very large information staff abroad to publicize the Marshall Plan and its purposes, and the whole OEEC concept.[5] As Europe has become increasingly familiar with the Marshall Plan, the necessity for really large-scale operations in this field has diminished. The ECA boys have, naturally, tended to keep themselves busy by broadening out their activities, by (1) pushing the whole theme of integration of Western Europe and then (2) promoting the broad concept of the defense of Europe through economic strength. Bluntly, in order to keep their large mechanism busy they are, consciously or unconsciously, moving into the whole USIE field, with the exception of the simple exposition of the U.S. and its aims.

Recognizing these difficulties, we sent Bill Cody[6] to Europe nine months ago, under an agreement between ECA and ourselves to try to effect as much coordination and prevent as many conflicts and overlaps as possible. This has worked to a surprising degree, through such mechanisms as joint USIE–ECA committees, numerous joint projects, and in a few cases, thoroughly coordinated operations. The over-flamboyance of many ECA operatives and the over-cautiousness of the State operators have tended to neutralize each other, with generally healthy results. Also, in some cases, the talents of the personnel in the two agencies have complemented each other, USIE having more political and policy savvy and ECA supplying a good deal of technical and promotional competence. Nonetheless, there are dangers ahead.

Some of the ECA information officers, fighting for their own continued existence, have done some disparaging of our operations among members of Congress and others, on the grounds that we are too

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60 Stat. 754), and in January 1948, the United States Information and Educational Exchange Act, or the Smith–Mundt Act, authorized a comprehensive information and educational exchange program (Public Law 402, approved January 27, 1948; 62 Stat. 6). In April 1948, the Department established the Office of International Information and the Office of Educational Exchange, and in 1949, the Office of General Manager of the International Information and Educational Exchange Program was created to direct the operations of both offices; general information policy remained the responsibility of the Assistant Secretary of State for Public Affairs.

For a more detailed account of the background of the information program, see Senate Committee on Foreign Relations, Subcommittee on Overseas Information Programs of the United States, *Organization of the United States Overseas Information Functions* (Staff Study No. 4; Committee Print, 1953). A file of selected documents concerning the information program may be found in the Library of the United States Information Agency.

[4] William C. Foster, Administrator of the Economic Cooperation Administration.

[5] In a 1949 foreign aid appropriation act, Congress authorized the Economic Cooperation Administration to publicize the programs it administered in the participating countries (Public Law 327, approved October 6, 1949; 63 Stat. 709). For documentation relating to the ECA, see pp. 1225 ff. For documentation concerning the European Recovery Program, or the Marshall Plan, see *Foreign Relations*, 1947, vol. III, pp. 197–484, and succeeding volumes.

[6] Morrill Cody, an attaché at the Embassy in Paris.

hemmed in by diplomatic considerations. There is an absence of a clear line of demarcation between the functions of the two agencies. Finally, in fighting for their own continued existence, the ECA people are finding themselves almost forced into encroaching upon more and more of State's functions.

We are now trying to think through a proposed course of action. We have some preliminary thoughts on the subject. We can talk these over with you and Mr. Humelsine any time you choose.

EDWARD W. BARRETT

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117 ECA/1-1251

*Memorandum by the Assistant Secretary of State for Public Affairs (Barrett) to the Under Secretary of State (Webb)*

CONFIDENTIAL [WASHINGTON,] January 12, 1951.

Subject: Problem of State–ECA Information Programs

*Problem*

1. To develop a unified international information and educational exchange program for the United States:

2. To determine where such a program should be located organizationally.

*Recommendation*

That the Undersecretary should discuss with the Administrator of the Economic Cooperation Administration the taking over by the State Department of ECA's foreign information program, as to provide a unified program for the Government and eliminate the duplication between ECA and USIE which will become unavoidable as the ECA program departs from European "recovery" and becomes more and more involved in all forms of foreign economic assistance.

*Discussion*

Pressure is building up for an independent propaganda agency. Although we believe that there is sound logic favoring location of the information and educational exchange programs in State, the idea of an independent agency has one sound advantage—it stresses unification of the Government's propaganda programs.

The foreign propaganda programs of the United States are now divided, in the main, among two agencies—The State Department and ECA. (The Army has a similar program in Japan but will probably turn it over to State sometime this year.) As long as ECA's objectives were limited and specific (recovery and viability in Western Europe), it was possible to devise a delineation between USIE and ECA information objectives which eliminated duplication and overlapping, at

least in theory. This delineation worked well in certain countries; in others there actually is duplication. The determining factor is how well the responsible field officials work together.

Future economic and military aid programs, however, will be most closely tied together organizationally and program-wise for the whole world. ECA's problem will no longer be merely recovery in Western Europe but will include most of the economic aid programs authorized by the Congress. The objectives of ECA will be less specialized and, in the propaganda field will be the same as ours.

As this occurs, it will become impossible to draw a line of distinction between the objectives of an ECA information program and those of USIE. The greater the zeal with which each does its job, the more duplication there will be.

There is still another reason for favoring amalgamation of the two programs. Although both we and ECA have many excellent people both here and overseas, it is not possible to get the maximum benefit of their working together as a team as long as they are located in two organizations.

In view of the pressure for an independent propaganda agency, existing Congressional dissatisfaction with the possibility of duplication in the information field between ECA and USIE, and the fact that unification of the two programs makes good sense, we believe it can be safely assumed that the establishment of a single information (propaganda) program is only a matter of time. If the Executive Branch doesn't move toward such unification itself, Congress will do so for it. By presenting a unified program of its own, the Executive Branch will be in a much stronger position to influence the location and scope of that program.

The major question to be resolved is whether we favor (1) a separate agency, (2) turning the job over to a new economic-military aid agency or (3) locating it in State.

The main arguments on the side of a separate agency are stated as:

(1) Being too close to the diplomatic niceties in State has a hampering effect on propaganda;

(2) Propaganda will have greater influence on government policies if concentrated in a *cabinet-level* agency;

(3) Location in State ignores the principle of keeping the Department out of operations and unnecessarily increases the burden on the Secretary.

These arguments are mainly specious. An independent propaganda agency would undoubtedly not be of cabinet level anymore than OWI was. If being in State has had a hampering effect on propaganda development, it has been due to regulations and traditions which the Department is free to change, if desirable, administratively. Point (3) is actually of more consequence than the others and we must recognize

and admit that this is a departure from the philosophy expressed in the Hoover Commission report.[1]

The disadvantages of a separate agency, however, outweigh the advantage of keeping the Department free of operations. For propaganda to be effective it must be closely tied to policy-making (and to those who decide the US position regarding the daily occurrences of international importance). It should also be close enough to policy-making to insure that the propaganda implications of decisions and positions are fully considered.

To establish an independent agency would necessarily mean putting the USIS [2] missions overseas under that agency, thus removing them to some extent from the control of the chiefs of mission and of the Regional Bureaus. This would increase the risk of having more than one United States' story in each country.

Arguments against establishment of an independent agency apply equally to locating the program in a new economic-military aid agency. Such an agency would have a sufficiently difficult job in effectively carrying on its economic programs without adding to its burdens by taking on the running of a full-scale propaganda program.

Assuming agreement on the above as Departmental policy, there are various factors which indicate the necessity for moving quickly toward obtaining the necessary inter-departmental concurrences (including those of ECA, the Bureau of the Budget and the President).

(1) Duplication of information programs will not aid the development of the most effective propaganda warfare. The longer it takes to create the necessary unification, the longer it will be before the United States gets the maximum benefit from its propaganda dollars.

(2) The planned changes in the scope of ECA will probably necessitate certain changes in the Economic Cooperation Act of 1948. The problem of what, if anything, an amendment should say about the information program and what it should provide for with regard to the use of counterpart funds for an information program has to be decided very soon, if we are to get in what we think necessary.

(3) The Bureau of the Budget is at present making tentative plans for the presentation of the 1952 appropriation supplemental for foreign aid—which will include (unless present plans change) in one bill, money for ERP, MDAP, and other economic and technical assistance. The supplemental will be sent to the Hill soon after the revisions in substantive and authorizing legislation have been introduced. This will be within the next 90 days. In considering the request for funds (as well as in revisions in the substantive legislation) the Bureau of

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[1] The Commission on Organization of the Executive Branch of the Government, established by Congress in 1947 and headed by former President Herbert Hoover, gave Congress its recommendations in 1949. Reference here is to the Commission's recommendation that the Department of State should be responsible for the development of foreign policy and should not be burdened with the responsibility for the operation of specific programs.

[2] The United States Information Service was the title of the information program outside the United States.

the Budget, the President and Congress will come smack up against the problem of duplicating information programs.

(4) Public and Congressional pressure is being put on Senator Benton [3] now to introduce a bill setting up a separate agency for propaganda (which would take over USIE and probably ECA's information program). This pressure would undoubtedly increase, considering Congress' frame of mind, even if nothing else happens. If the Administration is not prepared to put forward a unified information program of its own at the time it seeks changes in foreign aid legislation, and new foreign aid appropriations, the pressures will probably become overwhelming as the changes in aid programs would bring out clearly how ECA's program and ours would duplicate each other. There is always the possibility that someone on the Hill will take the show away from Senator Benton if he wouldn't move.

E[DWARD] W. B[ARRETT]

[3] Senator William Benton of Connecticut, former Assistant Secretary of State for Public Affairs, 1945–1947, had written to Secretary of State Dean Acheson on December 14, 1950, that a group of Senators had asked him if he would introduce a bill to "take propaganda operations out of the State Department," and that he thought this issue would arouse increasing discussion in Congress and throughout the country (511.00/12–1450).

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103 ECA/1–951

*Memorandum of Conversation, by Mr. Sanford S. Marlowe of the International Information and Educational Exchange Program*

CONFIDENTIAL [WASHINGTON,] January 22, 1951.

Subject: ECA–State Information Programs

| Participants: *State* | *ECA* |
|---|---|
| Mr. Barrett | Mr. Mullen [2] |
| Mr. Kimball [1] | Mr. Berding [3] |
| Mr. Marlowe | Mr. Drummond [4] |
| | Mr. Bellows [5] |

Meeting generally covered the ground covered in memo on the subject from Mr. Barrett to Mr. Webb.[6]

Messrs. Mullen, Berding, and Drummond agreed with State Department representatives on general proposition that a single U.S. propaganda program run by a single agency was desirable.

Mr. Mullen however felt that this was not the proper time to make any change in organizational arrangements since that would result

[1] Arthur A. Kimball served on the staff of the Deputy Under Secretary of State for Administration, Carlisle H. Humelsine; he was also the Executive Director of the Bureau of German Affairs.

[2] Robert Mullen, Director of the ECA Office of Information.

[3] Andrew H. Berding, Deputy Director of the ECA Office of Information.

[4] Roscoe Drummond, Director of the Information Division, ECA European Headquarters, Paris.

[5] Everett H. Bellows, Special Assistant to the Administrator of the ECA.

[6] *Supra.*

in confusion. He proposed that we continue as we now are until ECA's job, however defined, is over. (Mr. Barrett pointed out that this probably meant continuing as we are now until the millennium was reached.)

Although we never got an explicit definition of Mr. Drummond's ideas, he did seem to favor continuing the present arrangements for an indefinite period but assuring that there would be no duplication of operations overseas even though there would be an undoubted duplication in the objectives. The State Department argument generally followed that in memo from Mr. Barrett to Mr. Webb mentioned above.

There was considerable discussion of the ability of the State Department to carry an effective hard-hitting propaganda program. It was pointed out to ECA representatives that insofar as this was a real problem, it was one which State had to meet regardless of the decision regarding ECA Information Program and we looked forward to making whatever organizational and other changes that had to be made in order to run such a program. The ECA people feel that various changes both with regard to the authority of field personnel and organizational arrangements within the Department are necessary in State if we are to accomplish the kind of propaganda program they feel is essential to meeting our mutual objectives.

All the cards were put on the table, including discussion of the possibility of an independent agency. It was agreed that the next step would be for Mr. Bellows and Mr. Kimball to arrive at their recommendations for Mr. Webb and Mr. Foster.

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511.00/12–1450

*The Secretary of State to Senator William Benton*

WASHINGTON, January 24, 1951.

DEAR BILL: Ed Barrett has talked to me about your recent luncheon conversation, and your December 14 letter[1] further points up to me your conviction that the issue of taking propaganda operations out of the State Department will arouse more and more discussion both in the Congress and throughout the country. You will remember that this issue arose in the course of the Hoover Commission study of the Organization of the Executive Branch—and that the Task Force dealing with foreign affairs in fact recommended the separation of the

[1] Benton's letter of December 14, 1950, to Acheson is not printed; see the first footnote 3, p. 907.

bulk of the operational responsibility for the international information and educational exchange program from the State Department.[2]

At that time, I believed the Hoover Commission was correct in reversing the Task Force and in recommending that these operations should remain in the Department. Although I concurred with the findings of the Commission that it is preferable, as a general rule, that the State Department *not* be given responsibility for the operation of specific programs, I was also in agreement with my colleagues on the Commission that there was no other satisfactory location in the Executive Branch for these activities and that by reorganizing within the Public Affairs area to create under the Assistant Secretary for Public Affairs a new post of General Manager, full *operational* authority and responsibility could be assigned for the overseas information and educational exchange programs to the General Manager.

This has in fact been done, and my observation has been that the new arrangements are working very well. The Assistant Secretary for Public Affairs has been able to devote his attention to an increasing degree to actual information *policy* and guidance to the General Manager, and at the same time to carry out his assignment of serving as a staff adviser to me and other officers of the Department on public opinion questions.

Your second point is that, even taking into account the recent expansion of its information and educational exchange program, the Department still has not raised its sights to the level necessary for a great national defense operation in this field. In commenting on that, I believe it is worthwhile to review just what this expansion *does* provide. Under the proposals approved by the 81st Congress in response to the President's call for a greatly expanded "Campaign of Truth",[3] $79,000,000 were added to the regular appropriation of $32,000,000.[4] These funds are now being used:

1. To add six powerful transmitters for the Voice of America, as a major step in the completion of a global network of powerful short and medium-wave transmitters.

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[2] The reference is to the "Report on the Organization of the Government for the Conduct of Foreign Affairs," November 24, 1948, by the Foreign Affairs Task Force of the Commission on Organization of the Executive Branch of the Government.

[3] President Truman called for a greatly expanded information program, or "Campaign of Truth," in a speech before the American Society of Newspaper Editors, April 20, 1950. For the text, see *Public Papers of the Presidents of the United States: Harry S. Truman, 1950*, pp. 260–264.

[4] On July 13, 1950, President Truman asked Congress for a supplemental appropriation of $89 million for the information program; the text of his message is printed *ibid.*, p. 521. Congress provided $63.9 million in dollars and $512.2 million in counterpart funds (Public Law 843, approved September 27, 1950; 64 Stat. 1044), in addition to the $32.7 million allotted the information program in the regular Department of State appropriation for fiscal year 1951 (Public Law 759, approved September 6, 1950; 64 Stat. 595).

2. To expand by two-thirds in the current fiscal year the number of persons engaged in these programs, an increase of from *6,030* to *10,615*, with greatest emphasis on building the overseas staffs, concentrating on the twenty-eight most critical countries.

3. To expand greatly the *local* production of pamphlets, posters, films and leaflets using comic-strip techniques and to develop extensive indigenous channels for the distribution of such materials.

4. To secure the advice of the best brains we can find in this country on more effective techniques for getting the truth into areas where it is now largely excluded, and to develop the content which will in fact have the impact you are looking for.

Under the President's budget, just released, for the fiscal year 1952,[5] our international information and educational exchange program is scheduled for a step-up of 45% in its operating budget (exclusive of capital expenditures), which will mean an increase from 10,615 to 13,518 in the number of people engaged in this major effort.

Although I know Barrett has been keeping you filled in on the major steps we have in the works or propose beyond the present build-up, there are some recent developments which I hope some of us can sit down and go over with you in the next few days. Some of these now look extremely promising, and I assure you that the top officers of the Executive Branch are pushing these explorations and resulting plans with high priorities and the sense of urgency which you yourself so clearly feel.

My own judgment is that the expanded information program has in fact become the vital part of our national strategy you and others have always believed it should be. Consequently, I hope that you will use your position of leadership in the Congress on those issues to counsel moderation and a careful examination of what really is the wisest course of action on proposals such as taking these operations out of the State Department. I am above all concerned that we do not at this critical period lose any of the vigor and momentum already gained, nor impair the close and effective working relationships which now assure that our overseas information output is constantly giving the maximum of fully coordinated support to current foreign policy decisions.

I am asking Ed Barrett to keep you fully in touch with these developments. Your personal leadership in the Congress will be urgently required to keep the information program on the right track,

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[5] In his annual budget message to Congress on January 15, 1951, President Truman requested $115 million for the operation of the information program in fiscal year 1952 and declared that he intended to request an additional $100 million for the construction of new overseas radio broadcast facilities; for text, see *Public Papers of the Presidents of the United States: Harry S. Truman, 1951*, pp. 61–106.

and I am counting on you to find time to continue the kind of support you gave so vigorously and effectively in the past session.[6]

Sincerely yours, DEAN

[6] In a letter of January 31 to Acheson, not printed, Benton replied that the information program "hasn't even begun to be 'the vital part of our national strategy' it should be" and that he planned to ask the Senate to make a special investigation into the problem (A/MS Files, Lot 54 D 291, USIA file). On February 3, Benton's office released Acheson's letter (with some deletions, consisting of the references to Benton) and Benton's reply to the press. The State Department issued a press release on February 3, stating that the Department would welcome an investigation of the information program; Barrett repeated this in a letter of February 12 to Benton, released to the press that day. Both the press release and Barrett's letter are printed in the Department of State *Bulletin*, February 12, 1951, p. 278, and February 19, 1951, p. 301.

On February 19, Benton introduced S. Res. 74, sponsored by Senator Alexander Wiley of Wisconsin and himself, calling for a complete investigation of the information program by the Senate Committee on Foreign Relations. For the text of the resolution, see the *Congressional Record*, 82d Cong., 1st Sess. (1951), p. 1402.

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103 ECA/1–1951

*Memorandum of Conversation, Prepared in the Department of State*[1]

CONFIDENTIAL [WASHINGTON,] January 27, 1951.

Subject: State–ECA Information Program.

Participants: *ECA*
Roscoe Drummond
Andrew Berding
Everett Bellows

*State*
Arthur Kimball
S. S. Marlowe

The ECA position on our proposal to merge its information program with ours apparently crystallized during the week and was clearly announced. That position is, briefly, that ECA believes that it is vital to the success of their economic aid programs that they be supported by aggressive and effective propaganda. Further ECA does not believe that the State Department as it is presently constituted (taking into account traditions, personnel policies, caliber and type of personnel, Washington–field relationships and organization) is able to operate as effective a propaganda program as ECA does and that therefore a merger of the two programs would mean that they would lose the propaganda support they feel they need.

Mr. Drummond went so far as to say that he would favor a merger of the ECA Information Program with that of USIE if USIE were divorced from the State Department and set up an independent agency.

[1] This unsigned memorandum was apparently written by Marlowe.

Neither Mr. Berding or Mr. Bellows made themselves completely clear on this point.[2]

[2] A further meeting was held on January 29 between Barrett; Charles M. Hulten, General Manager of the USIE; Drummond; and Berding. Barrett reported in a brief memorandum of that date that they had agreed in principle to some definitions of the functions of the ECA information program and had agreed to ask the Bureau of the Budget or another third party to determine whether or not the two programs should be merged (Barrett Files, Lot 52 D 432). A study of the two programs was made later in the year by the Bureau of the Budget as part of an assignment by President Truman to examine the relationship between the State Department and the ECA. Its conclusions, summarized in an October 1 memorandum from George F. Schwarzwalder and E. B. Strait to William F. Finan, all of the Bureau, were that the existence of two programs was not only justifiable but beneficial, but that the Department of State should assume leadership in developing plans for a comprehensive and coordinated information program encompassing both State Department and ECA information activities (A/MS Files, Lot 54 D 291, USIA file).

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Barrett Files, Lot 52 D 432 [1]

*Memorandum by the Assistant Secretary of State for Public Affairs (Barrett)*[2]

SECRET [WASHINGTON,] January 29, 1951.

COMBATTING THE CRISIS OF CONFIDENCE

1. An important psychological advantage has within recent weeks accrued to the Soviet Union. The initial brusque rejection by the Chinese Communists of the proposal of the United Nations for a cease-fire in Korea[3] seemed to provide a psychological opportunity for uniting the free world. Instead, it provoked division more open, more formal and hence more potentially dangerous than had previously existed. This is manifested in the attitude of the Arab-Asian states in the United Nations, the broadcast by the Prime Minister of India, the diplomatic activities of the Prime Minister of Canada and the parliamentary statement of the Prime Minister of the United Kingdom. The result has been to leave the United States with few firm supporters, chiefly the nations of Latin America. At the moment, therefore, the United States, without having consciously decided upon

[1] Files of Assistant Secretary of State for Public Affairs Edward W. Barrett for the year 1951.

[2] The memorandum was discussed on February 6 by the Under Secretary's Advisory Committee, a small group including several of the principal officers of the Department of State, who met weekly to discuss major policy problems. According to the record of the February 6 meeting, those present included Webb; Deputy Under Secretary H. Freeman Matthews; Ambassador at Large Philip C. Jessup; the Director of the Policy Planning Staff, Paul H. Nitze; the Assistant Secretary for Economic Affairs, Willard L. Thorp; and the Legal Adviser, Adrian S. Fisher (Under Secretary's Meetings, Lot 53 D 250). Barrett recorded in a memorandum of February 6 that the committee had been in general agreement with the memorandum (Barrett Files, Lot 52 D 432).

[3] Documentation relating to the conflict in Korea is in volume VII.

such a course, finds itself being pushed toward the position of hemispheric isolation that Mr. Hoover proposed for it.[4]

2. To put the United States in this position has been a major political and psychological objective of the Soviet Union.[5] The political activity and the propaganda of international communism have unquestionably contributed to the creation of the situation now existing. They will be diligently employed to exacerbate it. But they cannot be said to be totally responsible for it. On the contrary, the evidence would seem to be that the United States has by its own actions contributed materially to the creation of the situation in which it now stands.

3. Other governments and other peoples are fearful of becoming involved at the present time in a global war with the Soviet Union. Their fear arises from an unwillingness to fight without hope of victory, of which pacifism, "neutralism" and "autonomism" are expressions. Such hope is lacking because other governments and other peoples are sharply aware that neither they nor the United States commands *at the present time* military strength in being sufficient to impose a military decision on the forces of international communism.

4. Therefore, they cannot in the existing circumstances bring themselves to support a line of action that in their judgment is likely to precipitate a general war. The question for them is not resistance to or appeasement of aggressive international communism. It is rather a question of resistance that is effective or resistance that is futile. They do not contend that Communist China is not an aggressor in Korea. They do contend that, if formal condemnation by the United Nations of Communist China [6] is to be a first step toward early involvement in a general war, then condemnation will not further but will be adverse to the interests of the free world. And the United States has not yet succeeded in convincing other governments and other peoples that it recognizes the limitations that wisdom and prudence would in the circumstances impose on efforts to counter the actions of the Chinese Communists in Asia.

5. The consequences of this fear and the divisions resulting from it extend beyond Asia. They affect the attitudes and the relationships existing among the United States, the United Kingdom and France

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[4] Former President Herbert Hoover had declared in a radio address on December 20, 1950, "The foundation of our national policies must be to preserve for the world this Western Hemisphere Gibraltar of Western Civilization." The text of the speech is printed in Herbert Hoover, *Addresses Upon the American Road, 1950–1955* (Stanford, California, Stanford University Press, 1955), p. 3–10. For documentation relating to the "Great Debate" over sending U.S. ground troops to Europe, which Hoover had opposed in this address, see vol. III, pp. 1 ff.

[5] Documentation concerning United States relations with the Soviet Union may be found in volume IV.

[6] Documentation relating to the United Nations General Assembly resolution of February 1, 1951, declaring that the People's Republic of China had engaged in aggression in Korea, is printed in volume VII.

as they move toward negotiations with the USSR. They affect the resolution and the confidence of the members of the North Atlantic Treaty Organization as they undertake to build a common defense of freedom in Europe.[7] If not overcome, they can render nugatory all the costly efforts of this critical year to create strength and confidence in the free world.

6. The basic objectives of the United States are not essentially different from those of other governments and peoples of the free world. To build strength, to gain time and to postpone war if it cannot be prevented are common aims. In seeking their achievement, however, the United States has appeared to many of its potential allies to have denied these objectives. The United States has put heavy pressure on its allies in connection with its desire for a condemnation of the Chinese Communists. It has commented for itself on developments in ways seemingly designed to commit the United Nations. It has seemed to be dogmatic in debate and stubborn in consultation. It has appeared willing to act unilaterally. It has seemed to show small regard for the sentiments and even the interests of others. It has revealed itself to be disunited and disagreed within itself. These actions reflect conditions within the United States the correction of which is essential to the revival of confidence and the restoration of confident vitality to the alliance.

7. The present situation is not lacking in elements that, if properly exploited, can contribute materially to arresting the trend now psychologically advantageous to the Soviet Union, if not to winning for the United States the psychological initiative. Among these elements are:

*a.* The general support being given by the people of the United States to the program of building military strength in the United States and among its allies and support to such ancillary programs as universal military training and service, price and wage control, high taxation, and a shift in production from civilian to military goods.

*b.* The evidence found by General Eisenhower[8] of a willingness on the part of Europeans to defend themselves if reasonably assured that defense based on mutual strength can be successful.

*c.* The opportunity provided by the probably forthcoming conferences of the Foreign Ministers[9] to establish the moral position of the United States in the present situation.

*d.* The continuing opportunity in the United Nations to reveal the true character and purpose of the United States in the present situation.

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[7] For documentation concerning the North Atlantic Treaty Organization, see vol. III, pp. 1 ff.

[8] General of the Army Dwight D. Eisenhower, Supreme Allied Commander, Europe, had just returned from a tour of North Atlantic Treaty Organization capitals. For documentation concerning his tour, see vol. III, pp. 392 ff.

[9] For documentation on discussions with the United Kingdom, France, and the Soviet Union concerning a possible meeting of the Council of Foreign Ministers, see *ibid.*, pp. 1048 ff.

*e.* The revolutionary potential existing among the peoples now dominated by the Soviet Union.

8. Psychological measures can help to exploit these elements, but they can do so most effectively only if certain essential conditions exist. The condition now affecting most adversely the successful psychological exploitation of favorable elements in the situation is the absence of an effective relationship between the Congress and the Executive Branch of the Government, particularly the Department of State. Because of this lack, the Executive Branch often finds itself at the mercy of an inadequately informed and irresponsibly led congressional majority, whose fears and passions deeply color, when they do not control, the development of foreign policy. As a result, Congress can in one and the same breath denounce "appeasement" in Asia and agitate for the abandonment of national responsibilities in Europe.

9. Although public opinion in the United States has generally shown itself to be steadier, calmer and having a surer grasp on the basic requirements than congressional opinion, it is deeply affected by uncertainties and doubts stemming from the congressional situation. The principles upon which the declaration of a national emergency [10] and the message on the State of the Union [11] are based thus are gravely jeopardized.

10. The establishment of effective relationships between the Congress and the Executive Branch is the essential prerequisite to a strong and confident domestic public opinion, to assurance on the part of its allies of the constancy of purpose and steadiness of direction of the United States and to the most vigorous psychological exploitation of all favorable elements in the present situation.

11. Immediate psychological activities can be conducted along the following lines:

*a.* To demonstrate that the United States is building up the military strength of itself and of its allies not because it regards war with the Soviet Union to be inevitable but because it is convinced that as the result of such measures the Soviet Union can be deterred from further aggression and general war averted.

*b.* To demonstrate that the primary objectives and the most vital interests of the United States are common to and shared by other governments and other peoples bent on freedom, including the people of the areas now dominated by the Kremlin.

*c.* To demonstrate how the policies advocated by the United States further these interests and support these objectives.

12. Psychological activities along such lines will be successful to the extent that they can be implemented by words and deeds. The

[10] For the text of President Truman's proclamation of December 16, 1950, declaring the existence of a national emergency, see *Public Papers of the Presidents of the United States: Harry S. Truman, 1950*, pp. 746–747.

[11] The text of President Truman's annual message to Congress on the State of the Union, January 8, 1951, is printed *ibid., 1951*, pp. 6–13.

President, the Secretary of State and other responsible public officials should be encouraged to seek every appropriate opportunity to restate the basic policy objectives of United States in terms which make clear that its aims, like those of its allies, are to deter further aggression and avert general war. Such statements should stress the interests shared by the United States and other governments and peoples, and underline the ways in which the policies advocated by the United States in the United Nations and elsewhere further these common interests. At the same time, all executive officials, civilian and military, should be again reminded, or if necessary officially instructed, to refrain from public statements that create a contrary impression. With the establishment of an effective relationship between the Congress and the Executive, congressional statements may contribute significantly to the desired end.

13. Words must be accompanied by confirming actions. These include not only the positions taken by the United States in the United Nations, but the manner in which they are put forward, argued and negotiated, the temper in which the United States approaches the discussions with the United Kingdom, France and the USSR for a meeting of the Foreign Ministers, the spirit in which the United States leads and supports the rearmament of Europe, and the way in which General Eisenhower is enabled to carry out his mission at SHAPE.

14. Specific psychological activities to further the objectives sought include, among others:

*a.* Taking the initiative in framing a resolution, perhaps to be introduced in the Senate, expressing on behalf of the Government and people of the United States their friendship for the peoples, especially the Chinese and the Russian, now dominated by the Kremlin, the resolution to initiate a popular but unofficial movement for signatures and other manifestations of good-will.[12]

*b.* Capitalization of the psychological success of the tour of General Eisenhower by the multilateral exchange of persons, artists, films and literature among the nations testifying to their faith in and hope for the common effort to defend freedom.

*c.* The exploitation of NATO through indigenous channels as an expression of Europe and its future.

*d.* Indirect appeals for defection from the USSR.

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[12] Senator Brien McMahon of Connecticut had consulted the Department of State concerning the advisability of introducing such a resolution, a copy of which he had given to the Assistant Secretary of State for Congressional Relations, Jack K. McFall (511.6/1–2651). The McMahon–Ribicoff "Friendship Resolution," or Senate Concurrent Resolution 11, was approved by Congress on June 26, 1951, and transmitted by President Truman on July 7 to Nikolai Mikhailovich Shvernik, President of the Presidium of the Supreme Soviet of the Union of Soviet Socialist Republics. The Voice of America broadcast the text of the resolution to the Soviet Union and subsequently called attention to the fact that the Soviet Government had not made it public. For information concerning the Voice of America broadcasts, see the Department of State *Bulletin*, July 16, 1951, p. 87; July 23, 1951, pp. 144–145; and September 3, 1951, pp. 379–381. Documentation concerning the resolution and the Soviet reply may be found in the compilation on United States relations with the Soviet Union in volume IV.

15. The crisis of confidence requires vigorous and determined action by the United States, first to restore the unity of the United States and its potential allies, second, to open an offensive directed at the Kremlin itself. The second, to be effective, depends upon the achievement of the first. Neither can succeed unless the necessary preconditions are established within the United States itself. That is the first order of business in the psychological field.

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A/MS Files, Lot 54 D 291

*Memorandum by the Deputy Under Secretary of State for Administration (Humelsine) to the Under Secretary of State (Webb)*

[WASHINGTON,] February 8, 1951.

I have just held a meeting with Messrs. Barrett, Sargeant,[1] and Hulten, together with Scott,[2] Heneman,[3] and Kimball of my staff, to consider immediate measures which the Department should take to insure a more dynamic and flexible operation of our information (propaganda) program within the policy direction of the Department of State. We are unanimous in the opinion that steps must be taken immediately both to step up the operation of USIE and to counteract proposals such as Senator Benton's that the program be moved out of the State Department into an independent agency.[4]

It is our belief that a device can be found to provide an "agency" within the Department with all the essential operating flexibility of an independent agency but without the loss which would occur if operations were separated completely from the Department with policy responsibility. For example, in lieu of Mr. Barrett's office and the present USIE, a "Foreign Information Administration" might be established within the Department of State, headed by an administrator who might rank as an Under Secretary. This Administration would be subject as now to the policy direction and guidance of the Secretary and the respective regional Bureaus. Within defined standards and subject to Departmental coordination, it might have its own Personnel Office, Budget Office, etc., and hire and assign its personnel here and abroad (and we trust it could receive the benefit of more liberal provisions similar to ECA's in the recruitment of top caliber individuals).

Overseas the top FIA representative in each country and his staff would be part of the diplomatic mission subject to the direction of the Ambassador. However, operating instructions might be dispatched

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[1] Howland H. Sargeant, Deputy Assistant Secretary of State for Public Affairs.
[2] Walter K. Scott, Deputy Assistant Secretary of State for Administration.
[3] Harlow J. Heneman, Director of the Management Staff.
[4] See the first footnote 3, p. 907.

549-782—79——59

over the signature of the administrator of FIA to his chief officer in the country mission, through our communications network, with the Ambassador having access to all communications. The Ambassador would have authority to countermand such operational directives when he deemed it advisable, in which case he could be reversed only by order of the Secretary.

The group agreed that this proposal was of such urgency and major importance that a task force should be set up immediately to develop a proposal to be presented informally to Senator Benton and other key members of Congress within the next couple of weeks. Further, it was felt that Senator Benton should be advised immediately that such a planning project is under way in order to seek his agreement to withhold further advocacy at this time of an independent agency. I am sure some such new proposal to combine the advantages of the present system and of the Benton proposal can be developed quickly, at least in major outline.

If this project and task force has your concurrence, I propose to place Mr. Kimball in charge. We feel that this should be a State Department task force with top level representatives designated by Messrs. Barrett and Hulten, plus the Director of Personnel and one regional bureau Executive Director. However, we also feel it would be advantageous to ask the Bureau of the Budget and ECA each to designate one staff member to serve as advisers.

This task force will not be concerned with the question of responsibility for foreign information policy on which you and the Secretary have been working and which is now before the President.[5] Neither is it believed that this task force would duplicate in any way the work of the Bureau of the Budget task force on Foreign Economic Affairs. It might be expected, however, that plans developed for the reorganization and strengthened operation of the information program here and abroad might provide solutions to some of the problems of organization, operations and relationships which we are encountering in other phases of the conduct of foreign relations.

If you concur in this project, I would like to have Mr. Kimball organize the task force and get it under way immediately.[6]

CARLISLE H. HUMELSINE

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[5] The reference is to discussions which culminated in the creation of the Psychological Strategy Board, an interdepartmental body, established by a directive of April 4, 1951, by President Truman. For text of the directive, see p. 58.

[6] The source text, a copy of the original memorandum, bears the notation, in quotation marks, "O.K. JW". A task force was established with Kimball as chairman; a memorandum of February 24 by Kimball, not printed, reported that the task force had endorsed the proposal for a semiautonomous agency within the Department of State (A/MS Files, Lot 54 D 291, USIA file). Planning for such an agency and discussion of the proposal continued within the Department during the following months.

*Editorial Note*

On March 2, President Truman sent a request to Congress for a supplemental appropriation of $97.5 million for the construction of additional transmitting facilities for the Voice of America (House Document 74). On April 5, following reports that the House Committee on Appropriations would drastically cut the request, Truman issued a statement to the press opposing such a reduction and asserting the importance of prompt construction of the new facilities; the statement is printed in *Public Papers of the Presidents of the United States: Harry S. Truman, 1951*, page 218. The following day, the House Committee on Appropriations reported the supplemental appropriations bill, H.R. 3587, to the House, recommending an appropriation of only $9.5 million for the Voice of America (House Report 298). After some debate which was generally critical of the information program, the House approved H.R. 3587 on April 10 with no change in the appropriation recommended by the Committee. The Senate approved the bill on May 10, and it received the final approval of both Houses on May 21 (Public Law 45, approved June 2, 1951; 65 Stat. 52). For testimony before the House and Senate Committees on Appropriations concerning the information program, see *Third Supplemental Appropriation Bill for 1951:* Hearings before a Subcommittee of the House Committee on Appropriations, 82d Cong., 1st Sess. (Washington, Government Printing Office, 1951), Part 2, pages 219–293, and *Third Supplemental Appropriations Bill, 1951:* Hearings before the Senate Committee on Appropriations, 82d Cong., 1st Sess. (Washington, Government Printing Office, 1951), pages 353–461. For the debate in the House concerning the information program, see the *Congressional Record*, 82d Cong., 1st Sess. (1951), pages 3536–3556.

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Barrett Files, Lot 52 D 432

*Memorandum by the Assistant Secretary of State for Public Affairs (Barrett) to the Director of the Policy Planning Staff (Nitze)*

TOP SECRET [WASHINGTON,] May 2, 1951.

Subject: JCS Memoranda of 15 January 1951 and 13 April 1951 [1]

1. The degree of emphasis given to propaganda and related activities in the recommendations of the reference papers—six out of seven recommendations in the memorandum of 15 January, three out of

[1] These memoranda, by the Joint Chiefs of Staff to Secretary of Defense George C. Marshall, were circulated among the members of the National Security Council with a covering memorandum of April 26 by James S. Lay, Jr., Executive Secretary of the NSC. See p. 60.

three in the memorandum of 13 April—suggests a misconception as to the capabilities of propaganda. Annex 5 of NSC 68/3 [2] accurately sets forth the relationship of propaganda to other activities of the Government in the present situation and properly defines the tasks laid upon it:

"The frustration of the design of the Kremlin will result primarily from concrete decisions taken and vigorous measures executed in the political, military and economic fields by the people and the governments of the free world under the leadership of the United States. The task of the United States foreign information and educational exchange programs is to assure that the psychological implications of these actions are, first, fully developed and, second, effectively conveyed to the minds and the emotions of groups and individuals who may importantly influence governmental action and popular attitudes in other nations and among other peoples."

The implication of the reference documents would seem to be that virtually all measures necessary to meet existing problems except propaganda are being fully carried out. This will not bear objective examination. Permitted to stand uncorrected, it might lead to the assumption that if enough ringing phrases can only be uttered, the need for concrete actions and hard decisions in other fields will somehow be diminished. The dangers of such an assumption are manifest.

2. The description, explicit and implicit, of the state of public opinion in the United States and abroad with regard to the threat of Soviet Communism is so excessively simplified in the reference documents as to constitute an unreliable guide to effective plans and programs. The factors of indifference, fear and despair are heavily emphasized. Positive factors demonstrably existing are only passingly referred to. The result is a distortion leading to dubious conclusions on the basis of which no successful course of action could be plotted.

3. Although the bulk of the recommendations, iterated at several points in the reference documents and their enclosures, involve activity in the fields of propaganda and psychological warfare, the reference documents and their enclosures reflect small knowledge of plans and programs now in effect. These plans and programs deal with virtually every point made in the reference documents, particularly the recommendations listed in sub-paragraphs *b*, *c*, *d*, *e*, *f* and *g* of paragraph 2 of the memorandum of 15 January 1951. They include, among others:

(1) The instruction of 13 September 1950 [3] circulated by the Department of State to United States missions calling upon them to initiate carefully defined and sharply targeted information and educational

[2] NSC 68/3, Annex 5, "The Foreign Information Programs," is printed in *Foreign Relations*, 1950, vol. I, p. 452.

[3] Circular instruction titled "Psychological Offensive," September 13, 1950, not printed.

exchange programs to promote the achievement of United States foreign policy objectives.

(2) Annex 5 of NSC 68/3

(3) NIG D-5*b*,[4] setting forth US policy regarding information activities carried on by the North Atlantic Treaty Organization, the principles of which have been accepted by the national information agencies of the member countries.

(4) The extensive coordinated program already underway of keeping the people of the United States informed as to the nature of the peril in which they stand and the measures required to avert it.

(5) Comprehensive plans for psychological activities with regard to (*a*) the USSR,[5] (*b*) the satellites of Eastern Europe,[6] (*c*) China,[7] and (*d*) Germany,[8] which, developed by the Department of State and discussed with the NPSB,[9] are being put into operation as objective circumstances make feasible.

(6) The plans and programs developed as the result of Project Troy.[10]

(7) The continuing activities of the interdepartmental psychological strategy board (under NSC 59/1).[11]

These activities in sum constitute a propaganda "crusade" of no small dimensions. It is a program, moreover, that does not involve the creation of an agency challenging or duplicating the coordinating functions properly belonging to the NSC and the presidential office itself.

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[4] This document, not found in the Department of State files, was prepared by the NATO Information Group, a task force formed by Barrett on January 31, 1951, to study the information program in relation to NATO.

[5] "Emergency Plan for Psychological Offensive (USSR)," March 23, 1951, is not printed.

[6] Not found in the Department of State files.

[7] "Interim Propaganda Plan for Communist China," dated February 1951, not printed.

[8] "Psychological Warfare in Germany," December 1, 1950, prepared by Wallace Carroll, executive news editor of the Winston-Salem, North Carolina, *Journal and Sentinel*, and Hans Speier, chief of the Social Science Division, Rand Corporation, consultants to the Department of State, is not printed.

[9] The National Psychological Strategy Board, or Interdepartmental Foreign Information Organization, was established under NSC 59/1, a report by the National Security Council of March 9, 1950, concerning "The Foreign Information Program and Psychological Warfare Planning," not printed. Its establishment was announced publicly by the Department of State on August 17, 1950; for the text of the announcement, see the Department of State *Bulletin*, August 28, 1950, p. 335. After the creation of the Psychological Strategy Board by President Truman's directive of April 4, 1951 (p. 58), the NPSB was redesignated the Psychological Operations Coordinating Committee.

[10] "Project Troy" was a research study undertaken for the Department of State by a group of scientists and social scientists assembled by the Massachusetts Institute of Technology. The "Project Troy Report to the Secretary of State," February 1, 1951, not printed, made various proposals for political warfare, including possible methods of minimizing the effects of Soviet jamming on the Voice of America broadcasts (511.00/2-151).

[11] See footnote 9, above.

611.00/5–1551

*Memorandum by Mr. Marshall D. Shulman, Special Assistant to the Secretary of State, to the Secretary of State* [1]

TOP SECRET [WASHINGTON,] May 15, 1951.

Subject: White House attitudes on political warfare, and the President's speeches.

1. In the course of recent sessions with Charles Murphy [2] and his assistants on the President's speeches, several considerations have been raised again and again, and have now reached a point which requires, I believe, Departmental recognition and action.

2. Murphy and his assistants, principally David Lloyd [3] and George Elsey,[4] expressed these concerns:

*a*) The recommendation contained in the JCS staff paper (Top Secret) now before the NSC Senior Staff,[5] that the Government intensify its political warfare activities, both overt and covert, has found a very responsive reception from Murphy and his assistants. They feel that the Department has not been as active in this field as it ought to be, and are determined to stimulate further action if possible.

*b*) They feel that our present foreign policy has not been effectively enough "packaged," and is therefore not well enough understood by our people, and cannot compete emotionally with such solutions as are offered by General MacArthur,[6] and may be offered by others in the future. They feel that a more precise expression of our objectives in relation to the Soviet Union would give our policy more emotional appeal. In several recent speeches, they have sought to express our policy as being intended to achieve the overthrow of the Soviet regime, and the liberation of the satellite states, but have withdrawn these efforts following strong representations from us that this would be untimely and unsound.

*c*) They propose, for an early Presidential speech (possibly next week), to try for a more effective formulation of our foreign policy goals—perhaps on the order of the Atlantic Charter, or the Four Freedoms. They feel that this can be developed out of the symbol of Freedom, in one way or another, and that in some degree, it ought to suggest our ultimate aim of universal liberty. They believe that this would not only implement our political warfare aims abroad, but would help to generate the kind of emotional support for our present policy that would sustain a larger degree of mobilization for a long

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[1] A handwritten notation on the memorandum reads: "Dear Jim [Webb]: Let's forget relations with the public, press and Congress long enough to establish them with the White House Staff. These young men need days of your briefing room, George Kennan and the whole works. D.A."

[2] Charles S. Murphy, Special Counsel to the President.

[3] David D. Lloyd, Administrative Assistant to the President.

[4] George Elsey, Administrative Assistant to the President.

[5] See footnote 1, *supra*.

[6] General of the Army Douglas MacArthur had been relieved of all his commands (Supreme Commander, Allied Powers in Japan; U.S. Commander in Chief, Far East; Commanding General, U.S. Army Forces Far East; and Commander in Chief, United Nations Command, in Korea) on April 11. He had spoken before a joint session of Congress on April 19 and had testified May 3–5 before the Senate Armed Services and Foreign Relations Committees.

time. Their feeling is that "people need to see light at the end of the tunnel", to be willing to go along with the sacrifices being asked of them.

3. I believe it would be useful to have a session, this week if possible, between Murphy (and such of his assistants as he wants to bring) and Webb, Matthews,[7] Barrett, Nitze, Perkins [8] (or Reinhardt)[9] and perhaps Joyce.[10] The meeting would be intended to accomplish three things:

*a*) Bring Murphy up to date on what we are now doing in the field of political warfare, of various kinds;
*b*) Discuss with Murphy more fully our thinking on the disadvantages of enlarging our publicly-expressed objectives toward the Soviet Union at the present time;
*c*) Indicate to Murphy our readiness to help seek a formulation of our foreign policy that would increase its acceptability, but would not at the same time create policy difficulties for us.

I believe if we can help Murphy and his crew in a constructive way to accomplish the objectives they seek, it will have beneficial results all around. If we do not, there may be greater difficulties for us to meet later.[11]

MARSHALL D. SHULMAN

[7] H. Freeman Matthews, Deputy Under Secretary of State.
[8] George W. Perkins, Assistant Secretary of State for European Affairs.
[9] G. Frederick Reinhardt, Director of the Office of Eastern European Affairs.
[10] Robert P. Joyce of the Policy Planning Staff.
[11] No record of such a meeting has been found in the Department of State files, but a May 19 memorandum from Barrett to Shulman, headed "White House Meeting," proposing "an evening session with the group we had at lunch Friday" (May 18), suggests that one was held (Barrett Files, Lot 52 D 432).

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S/S–NSC Files, Lot 63 D 351,[1] NSC 114 Series

*Study Prepared by the Department of State* [2]

SECRET [WASHINGTON, August 8, 1951.]
NSC 114/1, Annex 5

## THE INFORMATION PROGRAM

### I. THE CURRENT PROGRAM

1. The current information and educational exchange programs of the Department of State are directed to giving psychological impact

[1] Serial master file of National Security Council documents and correspondence and related Department of State memoranda for the years 1947–1961, as maintained by the Executive Secretariat of the Department of State.
[2] This study constituted Annex 5 to National Security Council report 114/1, "Status and Timing of Current U.S. Programs for National Security," August 8, 1951. For the text of NSC 114/1, see p. 127. Sections 41–45 concern the information program.

to the political, military and economic decisions and actions taken by the people and governments of the free world, under the leadership of the United States, to frustrate the design of the Kremlin.

2. The programs considered necessary to carry out the responsibilities of the Department of State under Annex No. 5 of NSC 68/3 [3] involve activity in ninety-three countries, including the three Baltic states incorporated in the Soviet Union, but concentrate on thirty-one in Europe, the Near East and Asia. (Psychological programs in Japan are conducted by the Department of the Army.) The funds to execute the program are incorporated in seven budgets:—USIE, Public Law 402; [4] the Public Affairs Programs for Germany; [5] the Public Affairs Program for Austria; [6] Finnish Exchange Program, Public Law 265; [7] the Chinese Student Aid Program; [8] the Fulbright Exchange Program, Public Law 584; [9] the Iranian Student Aid Program.[10] Four-fifths of the funds would be appropriated under Public Law 402.

3. The program developed to meet the requirements set forth in Annex No. 5 to NSC 68/3 was based largely on the program, "The Campaign of Truth," approved in the summer of 1951 [*1950*] by the Congress and the President. To meet the requirements of Annex No. 5 the planned completion of radio facilities was accelerated so as to take place in two years instead of five, by providing all financial requirements in FY 1951. Other aspects of the "Campaign of Truth" program were increased in varying degrees.

4. The thirty-one countries emphasized were considered to be those strategically most important to the achievement of the objectives of the United States. Those are countries either under control of the Kremlin, directly threatened by the Soviet Union or its satellites, or highly susceptible to internal communist pressures.

5. Within these countries, effort was to be concentrated upon those groups and individuals deemed most capable of influencing the decisions and actions of governments. Among these were urban and rural workers, youth, the professional and governing classes and intellectuals, with emphasis among the latter on journalists and teachers.

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[3] NSC 68/3, Annex 5, "The Foreign Information Programs," is printed in *Foreign Relations*, 1950, vol. I, p. 452.

[4] The United States Information and Educational Exchange Act of 1948, approved January 27, 1948; 62 Stat. 6.

[5] The Public Affairs Program for Germany was under the authority of the U.S. High Commissioner for Germany and was authorized by Public Law 759, approved September 6, 1950; 64 Stat. 595.

[6] The Public Affairs Program for Austria was under the authority of the U.S. High Commissioner for Austria and was authorized by Public Law 759, approved September 6, 1950; 64 Stat. 595.

[7] Approved August 24, 1949; 63 Stat. 630.

[8] The Chinese Student Aid Program was authorized by Public Law 327, approved October 6, 1949; 63 Stat. 709.

[9] Approved August 1, 1946; 60 Stat. 754.

[10] The Iranian Student Aid Program was authorized by Public Law 861, approved September 29, 1950; 64 Stat. 1081.

6. Overt programs envisioned for eight of the countries—Estonia, Latvia, Lithuania, Albania, Czechoslovakia, Hungary, Rumania and Bulgaria—consist solely of radio broadcasts originating outside the countries. In the remaining eighty-five countries overt programs consist, in varying degrees, of radio broadcasts, the distribution of motion pictures, the maintenance of information centers with libraries, the exchange of persons, the dissemination of materials to the press and radio, the presentation of exhibits, the subsidized translation of books, and the distribution of pamphlets, posters and film strips, chiefly through indigenous channels.

7. Specific measures were to include the following:

*a.* A radio ring of 14 one-megawatt (1,000,000-watt) medium-wave transmitters, established overseas for greater penetration of Iron Curtain countries and areas of the sub-Asian continent, supported by five one-megawatt short-wave transmitters in the United States.

*b.* Increasing from 24 to 45 the number of languages in which the Voice of America is broadcast and increasing from 30 to 57 the number of program hours daily.

*c.* The establishment in London and Manila of regional production centers for publishing in foreign languages. Production capacity generally, as it pertained to areas outside Germany and Austria, was to be expanded to produce annually some 60 million cartoon and narrative-type booklets and leaflets, six million copies of magazines, two million plastic plates, glossy prints and film strips, forty million picture posters and thirty-two million words of press communications. A large portion of this material was to appear under auspices other than that of the United States Government.

*d.* Increase in the number of information centers from 105 to 164.

*e.* The translation into 30 languages of books advancing themes hostile to communism and promoting national freedom. These books were to appear in subsidized editions under an imprint other than that of the United States Government.

*f.* An increase from approximately 3000 to 10,000 in the number of persons brought to the United States or sent abroad by the Government under exchange of persons appropriations, exclusive of those for the German, Chinese and Austrian programs.

*g.* An increase to between 32 and 35 in the number of languages in which documentary motion pictures were to be prepared. Mobile projection units were to be increased to approximately 500 and the number of 16mm. projectors to about 6,000. Production of films in foreign countries, to enhance the immediacy of the propaganda message, was to be launched in keeping with the general purpose of moulding propaganda output to achieve maximum impact among target audiences. In addition, the Department of State was to underwrite losses incurred in the production of desirable films by Hollywood companies for commercial use abroad.

*h.* The expansion of the intelligence research facilities of the Department of State to provide an increasing flow of materials which would alert the Department to propaganda problems, delineate the socio-psychological character of specific target audiences and provide content for propaganda output. Studies were to be made of popular atti-

tudes, aspirations and symbols, the effectiveness of various media in moulding public opinion, and the responsiveness of specific target groups to various kinds of messages.

*i.* Technical research with reference to overt penetration of the Iron Curtain and the development of unconventional devices and techniques for affecting public attitudes and frustrating the control of the Kremlin behind the Iron Curtain.

*j.* The establishment of a high priority for government intelligence and research concerning hostile jamming.

*k.* The appropriation of funds for discretionary use of unconventional devices for affecting popular attitudes.

*l.* The establishment of mechanisms among NATO and other countries for promoting shared interests in the information field, as they pertain both to indigenous and to external audiences.

*m.* Stimulation of public utterances by American government officials and leading personages in civic, labor, religious and other fields, in order to promote established propaganda themes and create source material for propaganda use, was to be regularized and expanded.

8. The programs for Germany and Austria presented, at the time of the preparation of Annex V, special problems resulting from the recency of the take-over from the Army. The plan called for a moderate expansion of program in 1952, with activity stabilized in 1953 at an annual expenditure in Germany of $55 million dollars in American and foreign currency, and in Austria of more than $5,000,000 in dollars and schillings.

II. TO WHAT EXTENT HAS THIS PROGRAM BEEN COMPLETED?

9. Contracts for manufacture of only two of the megawatt short-wave transmitters in the United States and for only five megawatt medium-wave transmitters overseas have been let. Sites for the two megawatt short-wave transmitters in the United States are being sought and are expected to be obtained by the time the facilities are completed. Sites overseas for the five megawatt medium-wave transmitters facilities have been selected. Actual construction of bases has begun at Manila and on Okinawa. An agreement for short-wave broadcasting has been negotiated with Ceylon; [11] it will serve as a step toward agreements on medium-wave broadcasting which will carry the Voice of America broadcasts more powerfully into the Indian sub-continent. Work on three bases remains to be started. Funds were made available for a floating radio transmitter in an extension of the ring concept.[12]

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[11] For the text of the agreement, concerning use of the facilities of Radio Ceylon, effected by an exchange of notes May 12 and 14, 1951, see *United States Treaties and Other International Agreements*, vol. 2, p. 1041. For documentation concerning the interest of the United States in establishing communications facilities in Ceylon, see vol. VI, Part 2, pp. 2013 ff.

[12] The transmitter was installed aboard the U.S. Coast Guard cutter *Courier*. Its use was initiated on March 4, 1952, with an address by President Truman, broadcast from the *Courier* over the Voice of America; the text of the address is printed in the Department of State *Bulletin*, March 17, 1952, pp. 421–422.

10. Congress so far has refused, however, to appropriate funds for the completion of the ring plan,[13] and construction of facilities for the three remaining megawatt transmitters in the United States and the nine overseas is being held in abeyance. Funds required total approximately $89 million. Inasmuch as ability to penetrate the jamming screen by which the Soviet orbit seeks to shut out the free world depends principally on strength of signal, failure to complete the transmitter ring reduces the potential capability of the United States to penetrate the Iron Curtain.

11. The number of program hours broadcast daily by the Voice of America now exceeds by four the goal of 57; while the number of languages projected under the plan has been met. The 21 new languages added in the past year have all been selected to meet program needs for the areas of major concern. Five additional languages have been projected for Fiscal Year 1952.

12. The regional production center in Manila is in operation, and a regional office is in operation in London. Production capacity is approaching the level envisioned in the plan, with some 47 million booklets and leaflets being produced as against 60 million projected. Production of magazines, photo materials, film strips, posters and press wordage approximately attains the rate of acceleration anticipated and approaches the level at which it was to be stabilized.

13. Although the number of information centers overseas has increased from 105 to 128 over the past year, it falls short by 36 of the total planned in the program to implement Annex No. 5 to NSC 68/3.

14. Fifteen selected books have been translated into 28 of the 30 languages projected under Annex No. 5 to NSC 68/3, and have been issued by sources other than the United States Government. For example 66,900 copies of six books emphasizing the dangers of communism to national and group interests have been translated into Chinese and distributed throughout Chinese-speaking areas in Southeast Asia.

15. The number of persons who were selected under the exchange of persons program, exclusive of the programs for Germany, China and Austria, totalled 3,900 in Fiscal Year 1951. Because of low per diem allowances and statutory requirements rigidly defining the categories of exchanges, only one-third were in the fields of labor, journalism, radio and films as well as the other principal priority groups.

16. Documentary films were being produced in 32 of the 35 planned languages by the end of Fiscal Year 1951. Of 500 mobile units planned, 145 were in operation while another 180 were being manufactured for early shipment overseas. More than 2,000 16mm. motion picture projectors—one-third the planned number—were in use at 94 posts con-

[13] See editorial note, p. 919.

ducting film programs; another 2,000 projectors will be in the field early in calendar year 1952. The production of motion pictures in the Near East and Far East for theatrical distribution under the imprint of principal American film companies was on schedule. In addition, the Department of State has engaged an American Supervising producer to supply feature and documentary films to be made in Italy and France by local producers, ostensibly as private ventures, for regular commercial distribution. Work with Hollywood producers for the stimulation of feature film projects promoting propaganda objectives overseas is dependent upon subsidization for anticipated losses and has been held up for lack of funds.

17. Funds were appropriated for only 40 of the 92 positions planned to provide intelligence research support to the information program. These positions have been filled. Contracts for outside research to determine popular attitudes, evaluate program effectiveness, and develop new information techniques totalled $241,900 during Fiscal Year 1951, as compared with $2,394,500 estimated to meet the needs of the present situation in Fiscal Year 1952.

18. Principal research undertaken with reference to penetration of the Iron Curtain was undertaken by a group of scientists of the Massachusetts Institute of Technology. During Fiscal Year 1951 they presented a report with recommendations of vast implications for the overt propaganda program. These concerned methods for penetrating any jamming curtain which might be devised, methods for giving greater fidelity to radio signals, and designs for a small battery-powered receiver which will have a relatively long life-span. The project for distributing a receiver of this type is contingent on strengthening the signal power of radio broadcastings, through developing the ring plan and other transmitting facilities.

19. Negotiations to establish a high priority for governmental research and intelligence concerning hostile jamming are only just under way.

20. The sum of $10,000,000 sought to permit discretionary use of unconventional devices for affecting popular attitudes and countering Soviet propaganda, largely through indigenous sources, has not been authorized by the Congress.

21. An international information service has been established in NATO,[14] but is operating on a relatively restricted scale.

22. A unit has been established within the Department of State to facilitate the implementation of information policy directives through public utterances by authoritative official and unofficial spokesmen.

23. The program for Germany envisioned under Annex No. 5 to NSC 68/3 called for an annual expenditure of $55 million in Fiscal Year 1952. Because of economies effected since take-over of the Ger-

[14] The NATO Information Service.

man program from the Department of Army, however, it has been possible to reduce the estimates for an optimum program, with the result that $44 million rather than $48 million was requested for Fiscal Year 1952. The program for Austria will require $4,916,000 in Fiscal Year 1952, as against $3,584,000 the year before. The new rate is at approximately the optimum level projected under Annex No. 5.

### III. WHAT DIFFICULTIES ARE BEING ENCOUNTERED OR ANTICIPATED IN COMPLETING THIS PROGRAM?

24. *Lack of Appropriations.* The failure by Congress to appropriate funds in the amounts requested has resulted in:

*a.* Indefinite postponement of the completion of the radio ring.

*b.* Indefinite postponement of the inaugurations of new programs, especially the exchange of persons, in critical and vulnerable areas.

*c.* Elimination of planned increase in confidential support of informational activity on the part of indigenous groups.

*d.* Limitations on flexibility and authority in negotiating with other governments with regard to sites for facilities and cooperation in planning.

*e.* Drastic reduction in funds available in the United States and abroad for representation purposes, thus curtailing an important means of developing fruitful relationships with groups and individuals important to the execution of the program.

*f.* The limitation on six top staffs, unless modified by further action of Congress or by subcommittee interpretation, makes impossible the provision of adequate executive and policy direction and supporting services to the program.

25. *Lack of Full Support from Other Federal Agencies.*

*a.* The Voice of America has failed to acquire a sufficient number of medium-wave channels overseas to permit flexibility and experimentation in operations so to maximize program listenership and impact. The crowded radio spectrum, enemy counter-measures such as jamming, and—to a degree—the difficulty of adjusting the requirements of various United States and friendly foreign interests continues to be obstacles to the achievement of goals in the voice broadcasting field.

*b.* Failure to acquire higher priorities in the fields of research and intelligence, has affected research on facilities implementation and has denied the Department of State adequate reports on monitoring of Russian jamming.

26. *Legal Obstacles to Fulfillment of Program.*

*a.* The unique requirement of Section 1001 of Public Law 402 for a complete FBI investigation and clearance prior to the entrance of an employee on duty is the source of extraordinary delay in staffing operations quickly. It also results in the loss to the program of talented individuals with numerous employment opportunities.

*b.* A prohibition still exists against advertising in other countries activities sponsored under the program in any English language publication, with the result that, as in India, where English is an important

publication language, advertising cannot be fully used to attract an audience to the program.

*c.* The appropriation language of the House Appropriations Committee denies authority to pay for the shipment of the household effects of aliens hired abroad for employment in the United States, with the result that the employment of such aliens is likely to become increasingly difficult. The operation of the Voice of America is likely to be most affected.

*d.* The report of the House Appropriations Committee on the 1952 appropriation request carries a statement that would preclude anyone but the Assistant Secretary of State for Public Affairs from making at government expense speeches concerning the program. This has the effect of sharply curtailing efforts to enlist the support and cooperation of private agencies in achieving the objectives of the program.

*e.* The limitation of per diem payments to $10 under Public Law 402 has made it impossible to bring the desired number of government officials and national leaders to the United States under the exchange of persons program.

The per diem often must serve as maintenance in the United States and as compensation for loss of income at home, and thus discourages national leaders, journalists, labor leaders and others who would benefit from long tours in this country. Other agencies of the government (e.g. ECA, Department of the Army) do not have this per diem limitation.

27. *Administrative Obstacles to Fulfillment of Program.* Effective operation of the Voice of America is hampered by the inability of the Public Buildings Service to acquire with the funds appropriated by Congress suitable quarters in New York to house the operation.

28. *Operational Obstacles to Fulfillment of Program.* Effective operation of the program is hampered by the difficulty of employing personnel in highly skilled fields, particularly motion picture production and technical radio production.

29. *Political Obstacles to Fulfillment of Program.*

*a.* The acquisition of sites for facilities in other countries has been hampered by the reluctance of other governments, sometimes under the influence of third governments, to make sites available.

*b.* The development of cooperative information efforts by governments of the free world has been hampered, as in NATO, by the lack of indigenous governmental information agencies and the failure to activate fully the Information Service of NATO itself.

30. *Psychological Obstacles to Fulfillment of Program.*

*a.* The program has suffered from the indifference and the lethargy that have interfered with the rapid development of other elements of the security program. Effective propaganda reflects vigorous action in other fields. In the lack of such action, propaganda becomes relatively ineffective, and the need for a vigorous program becomes less persuasive and urgent.

*b.* The program also suffers from the heavy emphasis placed in some quarters on the purely material elements in the security program. The rapid development of military strength is the key element in the

security program, but military power dissociated from a persuasive idea may neither deter an enemy or persuade an ally.

### IV. WHAT IS THE ESTIMATED ADEQUACY AND TIMING OF THE PRESENT PROGRAM?

31. The program designed to carry out the responsibilities of the Department of State under Annex No. 5 of NSC 68/3 may be said to be adequate in scope if funds are made available and the obstacles cited in Section III are removed. Emphasis within the program might be made more nearly adequate by the inclusion of North Africa which is an area requiring intensified psychological action.

32. The program is not, however, timed to achieve maximum impact in promoting the national objectives. The need to promote the development of deterrents to communist aggression, particularly among the captive peoples of the Soviet world and the armies of the satellites, is more urgent than ever. So also is the need to promote among still free peoples a sense of urgency, a stiffened resolution and a constantly nourished realization of the interests which they share with the people and the Government of the United States.

33. Already six months at least have been lost in completing the radio ring, the major purpose of which is to help to create, within the Soviet world, deterrents to aggression, and in intensifying efforts to build confidence and will among the free peoples. The technical instrumentalities by means of which psychological attitudes are created and nourished cannot be produced quickly, but even more difficult to create rapidly and surely is the desired psychological attitude itself. A gun not produced today can still be produced next month. A psychological attitude not created or supported today may never be brought into being. A gun is always a gun, but it is a less effective weapon in defense of freedom if it passes into the hands of a soldier whose will has been undermined, whose resolution is infirm and whose convictions concerning the purpose for which he has been armed are shaken.

34. The current program should be carried forward rapidly. If the appropriations previously recommended for radio facilities are increased by approximately 15%, the radio ring can be in operation in between eighteen and twenty-one months from the date when the funds become available. Provided the obstacles cited in Section III are removed and funds are made available, other activities can be operating at maximum levels within a year.

35. Within the current program, other measures should be taken to reduce the time span in which psychological operations required by the present situation can be underway. These include the following:

*a.* The establishment of additional production offices, one in the Near and Middle East.

*b.* An increase in the programs for the exchange of persons, with virtually exclusive priorities on those countries most vulnerable to communist aggression and subversion and on those groups and individuals—labor leaders, peasant leaders, journalists, teachers and officials—deemed capable of having immediate influence on groups and governmental actions.

*c.* The intensified development of radio programming in the field, thus increasing the immediacy of impact through familiarity with local circumstances.

*d.* Increased activity among indigenous groups, either directly on the part of the Department of State or by providing guidance and support to other agencies of the Government.

*e.* Acceleration of stockpiling of propaganda materials and facilities in this country and at fall-back points abroad for use in certain eventualities.

*f.* Completion of research on, and production of, small radio receivers for distribution in target areas.

V. SHOULD THE TARGET DATES FOR READINESS BE REAFFIRMED OR MODIFIED?

36. Funds are not now available for the achievement by the information and educational exchange programs, notably those financed under Public Law 402, of desired levels of operation by the target dates set in Annex No. 5. Only if funds become immediately available can the radio ring be in operation before the end of Fiscal Year 1953. Otherwise the target date must be put ahead into Fiscal Year 1954.

37. No specific target dates for the maximum operation of other aspects of the program, particularly those financed under Public Law 402, were fixed in Annex No. 5 of NSC 68/3. If funds are made available early in the calendar year 1952 and major obstacles to the fulfillment of the program are removed, these activities can be at or near maximum operation within a year.

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*Editorial Note*

When Congress considered appropriations for the Department of State for fiscal year 1952, debate centered on the information program. In his annual budget message to Congress on January 15, 1951, President Truman had requested $115 million for the operation of the information program; for the text of the message, see *Public Papers of the Presidents of the United States: Harry S. Truman, 1951*, pages 61–106. The House Committee on Appropriations reported H.R. 4740 to the House on July 10 with a recommendation of an appropriation of $85 million for the information program (House Report 685). On July 26, after a debate dominated by criticism of the Department of State and the information program, the House defeated, by a vote of 245 to 142, a motion by Representative Cliff Clevenger of Ohio which

would have cut another $15 million from the USIE appropriation, and approved H.R. 4740 with an appropriation of $85 million for the information program.

On August 20, President Truman sent a message to Congress conveying the Soviet reply to the McMahon–Ribicoff Resolution (see footnote 12, page 916), describing the Voice of America broadcasts concerning the resolution, and urging Congress to provide the full $115 million he had requested for the information program; the text of his message is printed in *Public Papers of the Presidents of the United States: Harry S. Truman, 1951*, pages 475–477. The following day, the Senate Committee on Appropriations reported H.R. 4740 to the Senate after further reducing the USIE appropriation to $63 million (Senate Report 697). During the debate that followed, Senator Benton and Senator Karl E. Mundt of South Dakota led the defense of the information program. Benton proposed an amendment to increase the USIE appropriation to the $115 million originally requested by the President, but he withdrew it in favor of an amendment offered by Mundt and other senators restoring the $85 million appropriation approved by the House. On August 24, the Senate accepted Mundt's amendment by a vote of 52 to 16 and approved H.R. 4740. The final bill thus included an appropriation of $85 million for the information program. It received the approval of both Houses on October 12 (Public Law 188, approved October 22, 1951; 65 Stat. 575).

For testimony before the House and Senate Committees on Appropriations concerning the information program, see *Department of State Appropriations for 1952:* Hearings before the Subcommittee of the House Committee on Appropriations, 82d Cong., 1st Sess. (Washington, Government Printing Office, 1951), pages 705–1114, and *Departments of State, Justice, Commerce, and the Judiciary: Appropriations for 1952:* Hearings before the Subcommittee of the Senate Committee on Appropriations, 82d Cong., 1st Sess. (Washington, Government Printing Office, 1951), pages 1626–1982. For the debates in Congress concerning the information program, see the *Congressional Record*, 82d Cong., 1st Sess. (1951), pages 8674–8696, 8748–8802, 8877–8906, 8948–8985, and 10618–10650.

549-782—79——60

Under Secretary's Meetings, Lot 53 D 250[1]

*Record of the Under Secretary's Meeting, October 10, 1951*[2]

SECRET [WASHINGTON,] October 10, 1951.

UM N-405

[Here follows discussion of unrelated items on the agenda.]

*Proposed Establishment of a Foreign Information Administration* (UM D-139/1)[3]

12. Mr. Webb explained that the purpose of this discussion was to air the views of the interested officers but not to make a decision on the proposal at this time. He explained that the Department faces many important decisions on organization and administration. He pointed out that Mr. Cabot's organization[4] as such will dissolve shortly and Mr. Cabot will return to his business. However, Mr. Webb was glad to report that Mr. Cabot has agreed to serve as a consultant to the Department whenever necessary. Mr. Coolidge[5] has agreed to stay on as Special Assistant to the Secretary on Mutual Security Program matters. His office will be tied very closely to G. Mr. Perkins is not [*now?*] backstopping the "Wisemen" operation[6] and will have responsibility for NATO backstopping. The Department ends up with two operating programs, the information program and the Point Four program.[7] Mr. Webb explained that the Department faces a dilemma between decentralization and centralization of authority and operations. The proposal presented to the meeting today is partly brought up because of the feeling that the Department would lose the

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[1] Master file of meetings, documents, summaries, and agenda of the Under Secretary's Meetings for the years 1949–1952 as maintained by the Executive Secretariat.

[2] The Under Secretary of State met three times a week at 9:30 a. m. with the Assistant Secretaries and other principal officers of the Department, or their deputies, primarily to exchange information regarding matters currently before the Department. Secretary of State Acheson was present on October 10, although he did not ordinarily attend the Under Secretary's meetings.

[3] Under Secretary's Meeting Document 139/1, a memorandum by the Deputy Under Secretary of State for Administration, Carlisle H. Humelsine, to the Secretary of State, September 7, 1951, is not printed; it recommended the formation of a Foreign Information Administration within the Department of State (Under Secretary's Meetings, Lot 53 D 250). The memorandum was based upon the proposals of the task force established in February 1951 (see p. 917) and on review and discussion of the proposals within the Department. An earlier paper, UM D-139, "Principles for Reorganization of the USIE Program," April 6, 1951, not printed, was discussed at the Under Secretary's meeting, April 9, 1951 (Under Secretary's Meetings, Lot 53 D 250).

[4] Thomas D. Cabot was the Director of International Security Affairs, Department of State.

[5] Charles A. Coolidge, Deputy Director, International Security Affairs, Department of State.

[6] "Wisemen" was a nickname for the three-man executive body of the NATO Temporary Council Committee. For documentation on their activities, see vol. III, pp. 1 ff.

[7] For documentation concerning the Point Four program, see pp. 1641 ff.

foreign information activities to an independent agency if it did not have a stronger and simpler organization. The basic issues involved in the paper for discussion is how we should organize to forestall the removal of the information program from the Department.

13. Mr. Scott[8] reviewed UM D-139/1 and pointed out that the objective of this paper is to make certain organizational changes which would improve the operations of the program. Another objective is to strengthen the program itself but still keep it as an integral part of the State Department. Behind the proposal are several principles: (*a*) that the program should have greater independence within the Department itself; (*b*) that the functional approach to information activities is better than the geographic approach; (*c*) that the authority of the Chief of Mission in the field must be maintained; and (*d*) that the Washington organization must be made more flexible. Mr. Scott explained that the information program is a very large one in terms of budget and people. One-half the people in the Department and field are involved in the information program.

14. Mr. Scott stated that the proposal is to establish an FIA reporting to the Secretary and Under Secretary. The operational head would be known as the Administrator and would have the rank equivalent to a Deputy Under Secretary. The Administrator would be semi-autonomous in operations. The regional bureaus would continue to to work on policy matters in the information field but would not be involved in the operations. No major changes in the field organization would take place except that the information people would be brought more closely into the mission proper.

15. The Secretary asked for the major differences between the proposal and our present organization. Mr. Scott explained that the FIA would be responsible for foreign information activities and not domestic public information as it is now. FIA would continue to have a separate budget but they would have greater control over personnel and other administrative matters. Mr. Scott also pointed out that under this plan the FIA would develop a program for an area and decide what media should be used in pursuance of that program. He noted that at the present time the geographic bureaus participate to a greater extent in the selection of media, review of the program, etc.

16. Mr. Barrett explained that he agreed in principle with the paper but he is not satisfied with some of the details of the plan. In connection with Mr. Scott's last point, he noted that all publications for foreign audiences are reviewed in the field. This review in the field and in Washington causes considerable delay. Mr. Barrett emphasized that there are several needs which prompt the general reorganization proposed in the paper being considered: (*a*) greater flexibility by speeding up the information activities but still keeping it in tune

[8] Walter K. Scott, Deputy Assistant Secretary of State for Administration.

with the Department; (*b*) a status which would permit the recruitment of the type of personnel which is needed (At the present time P is low on the organizational ladder, but under the semi-autonomous unit proposal it would be near the top of the Department and would attract a higher caliber person); (*c*) improvement in public relations for the Department and the program by locating organizationally closer to the top; (*d*) something must be done to modify the organization to preclude removing the information activities from the Department. Such a removal would cause vast difficulties in policy control.

17. Mr. Barrett explained that he is not satisfied with several aspects of the proposal. He feels that the relationship between FIA and the bureaus should be clarified. He also questioned the separation of the domestic and foreign aspects of information. He pointed out that the rank of the Administrator was not of great importance but that the organizational location was important for the reasons he mentioned above. He recommended that the UM reach agreement that the semi-autonomous principle is a good one and then give the job to a task force to work out the details. Mr. Webb pointed out that there has been a strong force to remove the information program from the Department but this movement has been temporarily set back. However, in order to retain the program, we must make our information organization as effective as possible. Mr. Barrett noted that we are attempting to get a unified program in the government and this would be facilitated if the USIS were set up in a different way.

18. Mr. McGhee[9] stated that the Hoover Commission reorganization plan and the Department's task force studies which set forth the theory of "operating vice presidents" have not been carried out except in the Administrative area. In complete contrast to this principle, the movement has been in the other direction with the establishment of S/ISA, TCA, etc. Mr. McGhee stated that he is not indicating that this is a bad direction and that if we move further in this direction by setting up an FIA, Mr. Barrett should be the Administrator. Mr. McGhee emphasized that we ought to decide which organizational direction we are going to take. If it is the direction which appears obvious today then we must strengthen our operating people but still keep them under the general policy guidance of the Secretary and Under Secretary. The FIA proposal would strengthen the information program if it were given the semi-autonomous statute recommended. Mr. McGhee pointed out that his information people object to the proposal by stating that the semi-autonomous organization would create difficult liaison problems. Mr. McGhee doubted that these problems would be any more difficult than they are now with the P area and TCA. His information people are opposed to the plan also because it

[9] George C. McGhee, Assistant Secretary of State for Near Eastern, South Asian, and African Affairs.

might drain off the more capable people from the bureaus to a higher ranking, more glamorous organization located near the top of the Department. Despite that possibility Mr. McGhee agreed that our two major operating programs should be pushed up organizationally. He recognized some merit in the point that a semi-autonomous organization would receive the criticisms of the public and the Congress rather than the Department as a whole.

19. Mr. Miller [10] felt that the proposed organization would abolish all control and influence which the geographic bureaus now have over the information activities in their areas. Mr. McGhee pointed out that this trend in organization has already taken place but if we wanted to reconsider this general principle of "operating vice presidents," he would then change his basic position. However, if we do not reconsider this principle, then the FIA proposal is a good step.

20. Mr. Bohlen [11] pointed out that Mr. Matthews is strongly opposed to the FIA proposal. Mr. Matthews, Mr. Bohlen explained, feels that this undercuts even further the "operating vice president" principle which the Department has attempted to apply but not most successfully. Mr. Bohlen explained that Mr. Matthews also feels that this proposal is unsound because of the "cart before the horse" arrangement whereby it places the man charged with the function of interpreting our foreign policy at home and abroad above the regional assistant secretaries who are charged with the formulation of foreign policies. Mr. Bohlen felt that this is a dangerous tendency in that it would increase the present trend of propaganda following policy and not taking place simultaneously with policy. Mr. Matthews also feels that policy guidance from the geographic bureaus would not continue if an FIA were established. It would engender a spirit of separatism between the information program and the regular programs of the Department. Mr. Bohlen said that we should not kid ourselves since this proposal does remove from the regional bureaus all information policy control and direction. Mr. Bohlen also explained that Mr. Durbrow [12] of FP feels that the proposal would set up a rival foreign service organization at a time when we are attempting to promote amalgamation.

Mr. Bohlen emphasized that an information program must be developed and implemented on a country by country basis and there is a great danger in not doing this by decentralizing too much from Washington to the field. He concluded by stating that he felt very strongly that policy control over information activities should remain in the regional bureaus. Mr. Barrett stated that he had no desire to cut loose the bureaus from information policy matters. As a matter of

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[10] Edward G. Miller, Jr., Assistant Secretary of State for Inter-American Affairs.

[11] Charles E. Bohlen, Counselor of the Department of State.

[12] Eldridge Durbrow, Chief of the Division of Foreign Service Personnel.

fact, he felt that this phase of bureau activity should be strengthened but basically the information program needs greater administrative freedom. Mr. Barrett also pointed out that he agreed with Mr. Bohlen's statement that the information program must be developed on a country by country basis.

21. Mr. Rusk [13] stated that he agreed with Mr. Matthews' objections to this proposal. Mr. Rusk felt that one of the arguments which had been proposed to sell the FIA is that the information program needs greater administrative autonomy. He said that he would not dispute this but it would be, in effect, giving something to an organizational unit in the Department which none of the others have. He pointed out that he would like greater administrative freedom and autonomy for his organization. He stated that if this were not part of the basic case being made for an FIA then why have a separate administration for information. Mr. Rusk also disputed the tactics of another point which had been made to support the FIA proposal. He felt that if the FIA were established as a semi-autonomous unit, it would strengthen the hands of those who would like to remove the information program from the State Department. In fact, it would make it easier for them to do this. He pointed out that we have emphasized and argued in the past that the information program must remain an integral part of the Department, but now it is being proposed that an FIA be established which would separate information activities from the Department. He questioned the argument that we would lose the information program if we did not set up this semi-autonomous unit.

22. The Secretary pointed out that the time for the meeting was over and suggested that the discussion be renewed at the 9:30 meeting tomorrow [14] in room 5104 with all assistant secretaries present.

[13] Dean Rusk, Assistant Secretary of State for Far Eastern Affairs.
[14] The next meeting was held two days later, on October 12.

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Under Secretary's Meetings, Lot 53 D 250

*Record of the Under Secretary's Meeting, October 12, 1951*

SECRET
UM N-406

[WASHINGTON,] October 12, 1951.

[Here follows discussion of unrelated items on the agenda.]

*Proposed Establishment of a Foreign Information Administration*—(UM D-139/1)[1]

5. Continuing the discussion of the FIA held during the previous UM meeting (see UM N-405),[2] Mr. Miller remarked that he agreed

[1] Under Secretary's Meeting Document 139/1, not printed; see footnote 3, *supra*.
[2] *Supra*.

with Messrs. Bohlen, Perkins, and Rusk; that he felt the regional principle of administration should be strengthened. He emphasized that somewhere in government a group must exist which would be familiar with the total particulars of country activity and that any argument for deviation from the regional principle was not valid. With reference to Congressional viewpoint, he recalled that while last year S/ISA had been established on a functional principle, it now had been legislated out.

6. With reference to personnel responsibilities, Mr. Miller referred to the recent recruitment of three top informational experts by ARA for the Rio post as typical examples of current appointees. He emphasized that an effective compromise arrangement between the functional and regional bureaus was working out now and should not be disturbed.

7. Mr. Sargeant reiterated Mr. Barrett's thesis that the compelling reason for the FIA proposal was an operational not a Congressional one. With reference to Mr. Miller's statements concerning recruitment, he stated that a policy of compromise was a policy of risk.

8. Mr. Sargeant emphasized that the Public Affairs area ran the greatest risk in a system of primarily regional responsibilities. He referred to certain operational projects, such as the Wireless Bulletin, which are mainly operational problems and stated that there are more of this type of projects in the informational field than in any other. He said the expansion of the information program intensified the problem and that shared authority in connection therewith amounted to confused authority. He felt that the previous discussion of the FIA proposal tended to evade the real issues involved and introduced Mr. Barnard,[3] General Manager of the International Information and Educational Exchange Program, as the individual who could possibly shed the most light on existing operational problems.

9. Mr. Barnard stated that while P was responsible for the informational program and for its justification to Congress, it had little to do in determining just what the informational program around the world would be. Referring to the preparatory meetings on the 1953 budget which had been held recently with the geographic areas, he recalled that the country priorities which were advanced for each area had no relationship to each other. He said that if P could be realistic, it would use all funds available in 40 or 50 countries and discontinue activities in other countries. This being impossible, compromise must be reached and there was no one beneath the Under Secretary level who could resolve the problem.

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[3] Thurman L. Barnard had replaced Charles M. Hulten in this position.

10. With reference to personnel problems, Mr. Barnard emphasized the lack of P control. He recalled that personnel was selected by the regional bureaus. From the P viewpoint, often such personnel was not entirely satisfactory to reach maximum program efficiency. With reference to administrative support under the present system, he specified the need for specialists in procurement and indicated that the present procedures offered no satisfactory approach to the specialized procurement problems inherent to the conduct of informational activities.

11. Mr. Nitze suggested that the procurement problem might be worked out independently. He stated that priorities, regional and functional interests, must be resolved by compromise and that no one area could ever maintain complete control over any aspects of foreign activity. Mr. Miller stressed that the relative status of the regional bureaus within the Departmental hierarchy was of importance and must not be overlooked. He said that the time had come for a reappraisal of the Rogers–Bundy report.[4] Mr. Sargeant recalled that the Rogers–Bundy report recommended the establishment of an informational program office outside the Department of State. Mr. Cabot added that S/ISA had erred in taking over certain functions of regional bureaus, particularly in relation to NATO affairs.

12. Mr. Perkins said he was in sympathy with the viewpoint of Mr. Matthews; that functional and regional conflicts did exist but that FIA went too far toward the functional approach.

13. The Secretary stated that in an attempt to arrive at a set of principles, there was danger of losing sight of the problem. He emphasized that the nature, size, and problem of the organization must serve as guidelines; that the main criteria here must be one of workability. He commented that after many years in the Department of State it reminded him of the Austro-Hungarian empire; that it was held together by external pressures. He recalled past conflict on the integration of Intelligence and Research activities and the fact that once integrated the operation had been eminently successful. The Secretary professed disagreement with the Rogers–Bundy report which recommended placing the VOA outside the Department of State. He added that unless a system for the conduct of informational activities within the Department could be developed so that it would be truly efficient and would have the entire confidence of its administrator, the Department would lose responsibility for the program. If the Department was to continue to hold responsibility for VOA, then the VOA must be conducted so successfully that it would be possible to get

[4] "Report on the Organization of the Government for the Conduct of Foreign Affairs," November 24, 1948, by the Foreign Affairs Task Force of the Commission on Organization of the Executive Branch of the Government. The task force was composed of James Grafton Rogers and Harvey H. Bundy, both of whom had served as Assistant Secretaries of State, 1931–1933.

an administrator who could carry out his responsibility with total confidence in his organization and take the program to Congress and defend it with full assurance.

14. The Secretary stated that he did not brush aside any of the questions which had been raised but that his mind was inclined towards the viewpoint he had just presented; that he did not believe that operational control could be in four places and at the same time one man could be vested with the responsibility for pseudo control. He added that his remarks were preliminary ones.

15. On the basis of his experience in Greek-Turkish aid program,[5] Mr. McGhee stated that the administrative processes in the Department did not adapt themselves well to the expenditure of funds involved in that program. He felt that many of the informational problems were alien to general State Department operations. Mr. Nitze said that while the General Manager is responsible, yet in a very real sense, the ambassadors to countries concerned as well as, for instance, Mr. Perkins vis-à-vis his program as a whole were responsible; that the real issue was one of delineation of functions. Mr. Bohlen, referring to the previous analogies which had been made concerning governmental and private administration, said that such analogies could be misleading. Mr. Mann[6] recalled that the present relationships between the functional and regional bureaus concerning the informational program had been worked out well. He stated that Mr. Barrett did receive policy guidance from the regional bureaus. Mr. Scott said that the relationship of the regional bureaus to the administration of information policy could be maintained under the FIA proposal and even improved.

16. The Secretary recommended that this problem be pursued further. He emphasized that the discussions must now be reduced to specifics, that is, to those irreducibles which the P area felt must be centralized within the control of the information organizations to insure successful operations and to those irreducibles which the regional and other appropriate Bureaus felt they must retain to fulfill their roles.[7]

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[5] McGhee had served as Coordinator of Aid to Greece and Turkey, 1947–1948.

[6] Thomas C. Mann, Deputy Assistant Secretary of State for Inter-American Affairs.

[7] A set of papers fulfilling the Secretary's request was prepared by the Administrative area and submitted as UM D–139/2, October 23, 1951, not printed (Under Secretary's Meetings, Lot 53 D 250). Planning for the FIA continued, but the final decision to establish such an agency had not been made by the end of 1951. On January 16, 1951, the Department of State announced the establishment of the International Information Administration; for the text of the announcement, see Department of State, *American Foreign Policy, 1950–1955: Basic Documents*, vol. II, pp. 3169–3172; see also the Department's press release of January 18, 1952, printed in the Department of State *Bulletin*, January 28, 1952, p. 151.

S/S–NSC Files, Lot 63 D 351, NSC 114 Series

*Study Prepared by the Department of State* [1]

SECRET [WASHINGTON, October 12, 1951.]

NSC 114/2, Annex 5

## THE INFORMATION PROGRAM

### OBJECTIVES AND MINIMUM TASKS OF THE PROGRAMS

1. The objective of the international information and educational exchange programs is to assure that by the middle of calendar year 1953 the United States Government is possessed of the resources required for effective overt psychological activities in support of and complementary to other measures designed to further the achievement of the national objectives.

2. The general task of the international information and educational exchange programs in facilitating the achievement of these objectives remains as stated in Annex V to NSC 68/3: [2]

"The frustration of the design of the Kremlin will result primarily from concrete decisions taken and vigorous measures executed in the political, military and economic fields by the peoples and the governments of the free world under the leadership of the United States. The task of the United States foreign information and educational exchange programs is to assure that the psychological implications of those actions are, first, fully developed and, second, effectively conveyed to the minds and the emotions of groups and individuals who may importantly influence governmental action and popular attitudes in other nations and among other peoples."

3. The further statement in Annex V to NSC 68/3 likewise continues to be applicable:

"Governmental action and popular attitudes will be influenced along lines favorable to the achievement of United States objectives through recognition of the interests shared by the people and the Government of the United States and other governments and peoples . . .

The United States and other peoples and nations share common interests, which information and exchange programs can cultivate, in:

*a.* National freedom, including both the desire for recognized status in international affairs and the desire to maintain characteristic indigenous cultures.

*b.* Peace and security against external aggression.

*c.* Social advancement, economic progress and human welfare, under governments responsive to popular aspirations.

*d.* Effective international relationships to serve these ends."

[1] This study constituted Annex 5 to National Security Council report 114/2, "United States Programs for National Security," October 12, 1951, printed in part, p. 182. A slightly revised version of Annex 5 was circulated among the regional bureaus of the Department of State with a covering memorandum by Barrett, November 15, 1951 (511.00/11–1551).

[2] For text of NSC 68/3, Annex 5, "The Foreign Information Programs," see *Foreign Relations*, 1950, vol. I, p. 452.

4. The situation in which the general task must now be carried out is fraught with greater danger and therefore charged with greater urgency than existed when Annex V to NSC 68/3 was approved and than was then thought would exist now. Moreover, nearly a year's time has been lost in acquiring important facilities, notably powerful radio transmitters strategically placed, and the base of program operations, particularly in the fields of information centers and the exchange of persons, has been narrowed by congressional action. The expansion of the program is therefore more rather than less difficult than it was a year ago.

5. Five specific tasks emerge as the minimum laid upon the international information and educational exchange programs. All actions contributing to military strength, economic stability and political cohesion in the free world will have a psychological impact and will contribute to the successful performance of these tasks, but actions of a primarily psychological character are also called for.

6. The first task is to multiply and to intensify psychological deterrents to aggression by Soviet Communism, whether in the form of outright action by the armed forces of the Soviet Union, of Communist China or of the satellites of the Soviet Union, or in the form of the subversion of existing free governments by civil forces acting on behalf of Soviet Communism.

7. This involves psychological action along the following lines:

*a.* To keep the people and the leadership of nations under the domination or the influence of the Kremlin, including the Soviet Union itself, keenly aware of the vast potential strength of the free world, the steady transformation of much of this strength into ready defensive capabilities and the determination of the free world to maintain the peace in any honorable way possible but to defend its freedom if necessary.

*b.* To warn the people and the leadership of such nations of the reckless nature of the policies of the Kremlin and the possible consequences thereof.

*c.* To open and to widen schisms between the leaders and the armed forces, the bureaucracies, the religious groups, the peasantry, the industrial workers and youth of these nations.

*d.* To expose among the peoples of nations susceptible to subversive influences the myths surrounding Soviet Communism, to recall the fate of free peoples whose governments have attempted to cooperate with parties and factions subservient to the Kremlin, to minimize fears as to the strength and influence of fifth columns subservient to the Kremlin within such nations and to nourish popular confidence in the capability of these nations, by their own acts and as the result of strength accruing from the cooperation of other free nations, to defend themselves against both aggression and subversion.

8. The second task is to intensify and to accelerate the growth of confidence in and among the peoples and the governments of the free world, especially in Western Europe, including Western Germany, in

their capability successfully to deter aggression by Soviet Communism or to defeat it should it nonetheless occur and to inspire concrete international, national and individual action accordingly.

9. This involves psychological action along the following lines:

*a.* To convince the peoples and the governments of these countries that, although Soviet Communism is intent upon bringing about the collapse of free societies, its present intentions do not necessarily involve general war and that it may be deterred from general war if unified strength is rapidly built by free nations.

*b.* To build confidence in the power of existing deterrents to aggression and the still greater power of the deterrents now developing—the certainty that a united, strong free world will win any war that Soviet Communism might precipitate.

*c.* To develop understanding of the advantages and the necessity of the voluntary participation, in varying degrees, of Germany, Japan, Yugoslavia and Spain in the common defense of the free world.

*d.* To develop awareness and appreciation of the common interests, loyalties, traditions and symbols shared by the peoples of the free world and of the institutions, global and regional, that embody them.

*e.* To demonstrate that, although adjustments in living standards will be called for in order to assure the defense of the free world, they can be kept within bearable limits, both as to extent and duration, and the military strength thus created will constitute a shield behind which social and economic progress can later go forward in an atmosphere relieved of tension and fear.

*f.* To stimulate and to maintain confidence in the leadership of the United States, respect for its peaceful intentions and trust in its reliability, steadiness and moderation.

10. The third task is to combat, particularly in the Near and Middle East and South and Southeast Asia, extremist tendencies threatening the undermining of the cohesion and the stability of the free world and the withdrawal of governments and peoples into neutralism.

11. This involves psychological action along the following lines:

*a.* To demonstrate the interest of the United States in and its support for the achievement of legitimate national aspirations on terms consistent with the stability and the cohesion of the free world.

*b.* To demonstrate that those aspirations will most surely be achieved through cooperation with the free world.

*c.* To indicate why, in the nature of the present struggle, neutralism is an unreal choice and how attempting to make it is likely to result only in becoming a subject of exploitation by Soviet Communism.

*d.* To recall the advantages that have accrued and are still accruing to underdeveloped countries from their association with the free world.

*e.* To foster understanding of the nature and the intentions of the people of the United States and to develop confidence in its leadership.

*f.* To encourage, without undermining responsible established authority, all progressive forces bent on political advancement, economic improvement and social reform.

*g.* To indicate how the exacerbation of national antagonisms within an area create opportunities for aggression and subversion by Soviet Communism and to encourage a will for peaceful settlement.

12. The fourth task is to maintain among the peoples held captive by Soviet Communism, including the peoples of the Soviet Union, hope of ultimate liberation and identification with the free world and to nourish, without provoking premature action, a popular spirit disposed to timely resistance to regimes now in power.

13. This involves psychological action along the following lines:

*a.* To make continuously plain that the United States looks to the establishment in nations dominated or heavily influenced by Soviet Communism of governments commanding the confidence of their respective peoples, freely expressed through orderly representative processes.

*b.* To promote faith that the present situation in the world will not last forever and that the ultimate triumph of freedom is inevitable.

*c.* To keep alive national traditions and values linking captive peoples with the free world.

*d.* To keep the captive peoples accurately informed of situations and developments in the free world as a source of hope and a guide to timely action.

14. The fifth task is to maintain among peoples and governments traditionally linked with the United States, particularly in Latin America, a continued recognition of mutual interdependence and to promote national and individual action accordingly.

15. This involves psychological action along the following lines:

*a.* To convince such peoples and governments that the United States is sincerely sympathetic with their legitimate national aspirations, and the rest of the free world, achievement of those aspirations is being hastened.

*b.* To convince these peoples and governments that their freedom is inextricably involved with that of other nations and peoples, is dependent in part upon the skills and resources of other nations and peoples and that the preoccupation of the United States with problems in other areas is therefore justified and in their interest.

*c.* In Latin America, to foster conscious popular devotion to the principle of Pan-Americanism as the concept within which the American nations can best realize their potentialities and discharge their obligations as members of the free world.

16. The tasks are set forth in descending order of importance and are related to specific geographic regions and countries:

*a.* The task of deterring aggression by Soviet Communism, paragraph 6 above, must be carried out primarily among the Soviet Union, China, Poland, Czechoslovakia, Hungary, Rumania, Bulgaria, Albania, East Germany and North Korea as regards open aggression by armed forces and among France, Italy, Western Germany, Burma, Indo-China, Iran and Indonesia as regards subversion of existing governments by civil forces acting on behalf of Soviet Communism.

*b.* The task of building confidence in the capability of the free world to maintain peace by building united strength, paragraph 8 above, must be carried out among all nations not dominated by Soviet Communism but especially those linked in the North Atlantic Treaty Organisation and closely associated with them in defensive plans: United Kingdom, Canada, Iceland, Norway, Denmark, Belgium, the Netherlands, France, Portugal, Italy, Turkey, Greece, Western Germany, Austria and Spain; those linked in the Rio Treaty, especially Mexico and Brazil; and those linked in the Pacific Alliances, including Japan and the Philippines.

*c.* The task of combatting extremist tendencies threatening the cohesion and stability of the free world, paragraph 10 above, must be carried out primarily among India, Iran, Pakistan, Indo-China, Burma, Indonesia, Taiwan, Thailand, the Philippines, Malaya, Egypt, Lebanon, Syria, Iraq, Morocco, Guatemala, Israel, Tunisia, Jordan, Afghanistan, Saudi Arabia.

*d.* The task of maintaining hope of ultimate liberation from domination by Soviet Communism, paragraph 12 above, must be carried out primarily among the peoples of the nations in which the task of deterring aggression by Soviet Communism must also be carried out.

*e.* The task of maintaining a continued recognition of mutual interdependence among governments and peoples traditionally linked with the United States must be pursued especially among the nations of Latin America and the Near and Middle East.

## DESCRIPTION OF THE PROGRAM

### *Elements Comprising the Program*

17. The elements comprising the recommended program include activities carried out under the United States Information and Educational Exchange Program (Public Law 402), the Public Affairs Program for Germany, the Public Affairs Program for Austria, the Public Affairs Program for Japan, the Iranian Student Aid Program, the Chinese Assistance Program, the Finnish Program, the India Grain Program (pending)[3] and the Fulbright Program (Public Law 584).

18. The latter five programs are concerned solely with the exchange of persons. The Fulbright Program is financed in foreign currencies made available as payments on debts owed the United States by other governments; no appropriation is required to carry it out. Although they contribute substantially to the achievement of the psychological tasks set forth above, these programs are only complementary to the major effort.

19. Successful execution of the tasks laid upon the international information and educational exchange program will depend primarily upon the propaganda and psychological activities carried out under Public Law 402 and the Public Affairs Programs for Germany,

[3] The India Emergency Food Aid Act of 1951, which authorized a loan of $190 million to India, provided for the use of the interest on the loan for purposes of educational exchange (Public Law 48, approved June 15, 1951; 65 Stat. 69). For documentation concerning U.S. relations with India, see vol. VI, Part 2, pp. 2085 ff.

Austria and Japan. Responsibility for the conduct of the latter, now that the Peace Treaty [4] has been signed, will pass from the Department of Defense to the Department of State. The German and Austrian programs, already closely integrated with the global program, will be moved into the Public Law 402 program in fiscal 1953.

20. The recommended program under Public Law 402 for FY 1953 and FY 1954 contemplates the following major activities and developments over and above the program currently authorized.

21. *Public Law 402 Program:*

*a. Radio Broadcasting.* The rapid completion of the radio ring, involving the construction of four additional megawatt shortwave transmitters in the United States, bringing the total of super-high-powered transmitters in this country to 6 (plus the 38 lower-powered transmitters now in use).

The origination of radio programming at Munich, for Eastern Germany, Eastern Russia, Poland, Czechoslovakia and Hungary; at Salonika, for the southern Balkans and Southeastern Russia, using splinter languages of the region, such as Armenian, Uzbek, and Azerbaijani; and at Okinawa (or equivalent), for China and Southeast Asia.

The provision of low-cost receivers for distribution behind the Iron Curtain and in other strategic areas where receivers are generally unavailable to target groups.

The substantial step-up of the purchase of time on and the preparation of programs for local broadcasting stations in foreign countries.

These measures are designed to assure: first, a signal strong enough to reach all areas behind the Iron Curtain and to overcome present jamming to the maximum extent possible; second, programs closely tailored, with the help of defectors, to local requirements; third, a widespread audience; and fourth, the presentation of programs over indigenous channels and lacking identification of the United States as the source.

If appropriations for the completion of the ring plan are made not later than the middle of FY 1952, the facilities can be in full operation within approximately eighteen months thereafter. The completion of the ring plan and the execution of other measures outlined above will provide the most effective, and indeed the only overt, means of applying psychological deterrents to aggression by Soviet Communism through open military action. They will also provide the most effective and only overt means of stimulating hope of ultimate liberation among the peoples held captive by Soviet Communism.

*b. Press and Publications.* A heavy increase in the preparation of material for pamphlets, posters, publications and exhibits, directed toward specific target groups, to be locally adopted and produced abroad and distributed, either by overt or covert means, without attribution to the United States Government.

The opening of regional contracting offices to obtain the propaganda advantages of foreign production under conditions that will assure technical excellence and economy.

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[4] The Treaty of Peace with Japan was signed September 8, 1951, and entered into force April 28, 1952; for text, see 3 UST (pt. 3) 3169. For documentation concerning U.S. relations with Japan, see vol. VI, Part 1, pp. 777 ff.

An intensification of the purchase overseas of research, writing, translation and art work from local sources, particularly where such purchase will facilitate the utilization of the press and publication output.

Under the appropriation for the current fiscal year, the preparation of such materials at the level reached by the end of fiscal year 1951 must be curtailed. The recommended program would provide not simply for maintaining production at the level reached in FY 1951 but for increasing it to the point where maximum use can be made of the printed word and picture as instrumentalities in: (*a*) creating psychological deterrents to aggression, whether by armed force or by civil subversion; (*b*) in building confidence among the peoples of the free world; (*c*) in combatting extremist forces threatening stability and cohesion; and (*d*) in stimulating hope of ultimate liberation.

*c. Motion Pictures.* An increase of 300% in the production of documentary motion pictures and newsreels adapted to the interests of local audiences and designed for distribution through all available channels, including those in the commercial field.

Intensive efforts to utilize theatrical and commercial film production, which has not been possible under a limited budget.

Substantial overseas film production, both regional and on a country basis, including production without attribution to the United States.

Particularly in underdeveloped countries and among audiences with limited literacy, but also among industrial workers, farmers and youth in more advanced countries, motion pictures are a prime instrumentality for building confidence, exposing the threat of aggression and combatting tendencies toward neutralism.

*d. Information Centers.* Increasing the number of information centers, particularly in the Near and Middle East. There are now 109 centers in operation, with an increase of up to 20% anticipated in the current fiscal year. At least two hundred centers could be effectively used in the projected all-out campaign.

Increasing by ten-fold the number of United States books translated and published in local languages, particularly in Near and Middle East, Far East and South Asia.

These measures are designed to further, particularly among intellectuals, public leaders, teachers and officials, the development of confidence, the combatting of extremism and the cultivation of the sense of mutual interdependence.

*e. Exchange of Persons.* An increase from 3900 to 10,000 in the number of public opinion leaders, trade union leaders, farm leaders and youth leaders brought to the United States, particularly from Asia, the Near and Middle East and Western Europe.

Improvement in the facilities for dealing with such leaders during their visits to the United States.

Personal contact and observation is a prime means of developing confidence, fostering a sense of mutual interdependence and combatting neutralism. The proposed measure will significantly increase the effectiveness of this means of affecting psychological attitudes.

*f. Overseas Missions.* The information program overseas missions, attached to the United States Embassies, Legation and major con-

sular establishments, are the instrumentalities through which the media elements of the psychological program are carried out. Intensification of the media activities, therefore, although it does not mean a proportional increase, does require a considerable strengthening of the overseas missions—both quantitatively and qualitatively. The program outlined above must be reflected in the field organizations in these ways:

(1) The addition to existing public affairs staffs of media specialists and technicians to provide a balanced propaganda team.

(2) The recruitment and assignment to the field of more highly skilled, top-level information specialists.

(3) The opening of a substantial number of "decentralized" operations, relatively small in size, shrewdly staffed, and strategically placed in the natural centers of target groups, such as industrial and agricultural centers, particularly in Western Europe, the Middle East and South Asia.

This field program would mean an increase of about 50% in both American and local employees, to make a total of about 1300 American and 6500 local employees throughout the world.

22. *The Public Affairs Program for Austria.*[5] During the current fiscal year, the program now being carried on will be increased somewhat in size and to a larger extent in emphasis. By the end of the year, the program, which essentially involves the same media and techniques as the Public Law 402 program in other countries, will be geared to achievement of the aims of the United States psychological offensive in Austria and will be carried forward at about the same rate in fiscal 1953.

23. The current change in the emphasis of the program involves particular attention to specific priority target groups, such as labor and the so-called "middle class" which have historically been the victims of totalitarian ideologies. This involves especially the use of the United States newspaper in Vienna, the development of a specialized news file for Austrian newspapers, the U.S. operated radio network, and a stepped-up pamphlet and leaflet operation.

24. *The Public Affairs Program for Japan.* The present Civil Information and Education Program in Japan is conducted under SCAP, with the authority of the Occupation directives as a basis. It is in part directed toward internal reform and reconstruction, and in part to Japanese acceptance of the foreign policy goals of the United States. With the recognition of Japan as a sovereign nation, the present program is being revised to aim primarily at the latter objective.

25. The revised public affairs program will represent about the maximum overt operation that can be conducted profitably in Japan, and

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[5] Documentation concerning United States policy with regard to Austria may be found in volume IV.

549-782—79——61

will be continued in fiscal year 1953 if funds are available. The revised program will place particular emphasis on:

*a.* Maintenance of the 23 information centers established under the Occupation as focal points for the adaptation to local needs of all information and educational exchange operations.

*b.* Continuation of a large-scale exchange of persons operation.

*c.* Developing press materials directed specifically to target groups within the country.

*d.* Establishment of a cooperative radio program using both Voice of America broadcasts and local broadcasting arrangements made through the Broadcasting Corporation of Japan and local commercial radio stations.

*e.* Widespread use of documentary films throughout all areas of Japan.

26. *The Public Affairs Program for Germany.*[6] This program, because of the particular problems involved in the occupation of Germany, and the availability of local currency for program purposes, is now carried on at approximately the level required for an optimum overt information and educational exchange program. If this scale operation is to be continued, however, it will be necessary to substitute dollar funds for an anticipated reduction in local currency resources, particularly ECA counterpart funds. Of the $44 million projected for the current year program, only $14.5 is from appropriated dollars.

27. Changes in the content and organization of the program are planned to adapt it to the anticipated political relationships with the German Federal Republic. The principal changes are:

*a.* Extension of the program as a whole to all of Western Germany including the British and French zones, thus reducing its concentration in the U.S. Zone;

*b.* Enlistment of a greater degree of German participation in the program and its administration including participation by German Governmental and private agencies; and

*c.* Withdrawal from most of the activities now being carried on at the local community level under the direct initiative of HICOG.

28. Tentative plans call for the accomplishment of these changes through establishment of 15 regional centers, each center being the site of an information center. The centers will be distributed throughout all three zones of Western Germany. Staff based at such centers will be concerned with the administration of the exchange program, cultural and education activities, film distribution and use, servicing of press and publications, dissemination of pamphlets and other informational materials, liaison with German radio stations, etc.

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[6] For documentation concerning U.S. policy with regard to Germany, see vol. III, pp. 1317 ff.

29. *Assumptions and Policies on Which the Program is Based.* The projected program can be achieved by the middle of calendar year 1953 if:

*a.* a supplemental appropriation for operational expansion is available in January 1952. About $44.5 million will be required;

*b.* a supplemental appropriation to complete the "ring plan" for radio facilities within 18 months, requiring about $100 million in cash or contract authorization, is available in January 1952.

30. It is assumed that the information program set forth in this document, and the estimate of required funds, represents the total worldwide overt propaganda program of the United States Government, and that any other public information activities, such as those in connection with foreign economic and military assistance, will be confined to the promotion of the limited objectives of the respective programs under which they are authorized.

31. It is assumed that the administrator of the outlined program will have wide operating flexibility and that funds will be available for stated purposes without restrictive limitations.

32. *Estimate of the Cost of the Program for Fiscal Year 1953.* There follows an estimate of fund requirements to attain in fiscal year 1953 the level of operation to meet the needs of the situation as outlined above. It will be noted that:

*a.* The amount provided in the estimate for activities under Public Law 402 is substantially the same as projected in Annex V to NSC 68, prepared in October 1950, with an increase of 15 percent to provide for price rises since that time and the addition of $8 million to provide for a program in Japan which is financed this year from appropriations to the Department of the Army.

*b.* There are no significant new technical developments susceptible of employment in the overseas information program during fiscal year 1953 which were not anticipated in Annex V of NSC 68. Opportunities for strengthening the program in 1953 lie, therefore, in better use of known methods rather than in new devices. Progress in technical research indicates, however, that certain new developments in radio broadcasting may be available by fiscal year 1954. Financial provision must be made for continued research for the development of new methods in all media fields. The sum of $10 million for this purpose and for construction necessary to make immediate application on at least a pilot model basis of new developments has been included in the estimate.

*c.* Successful attainment of a maximum effort in fiscal year 1953 will require a supplemental appropriation for the current fiscal year of $44.5 million for operating purposes and $100 million for construction of radio facilities. The operating budget must be expanded to permit the recruitment of staff and the preparation of working materials to be utilized next fiscal year. Completion of the radio facilities ring, which will require in the neighborhood of 18 months, has already been jeopardized by the delay in enactment of appropriations for this purpose.

*Estimate of Fund Requirements for Fiscal Year 1953*

| *Program* | | *Amount (Dollars)* |
|---|---|---|
| USIE—Public Law 402 | | |
| *a.* Operations | $226, 000, 000 | |
| *b.* Development and Capital Investment | 10, 000, 000 | |
| | | $236, 000, 000 |
| Public Affairs Program for Germany | | 44, 000, 000* |
| Public Affairs Program for Austria | | 4, 800, 000* |
| Chinese Assistance Program | | 900, 000† |
| Fulbright Program | | 9, 400, 000‡ |
| Finnish Program | | 398, 000§ |
| Iranian Trust Fund Program | | 35, 000‖ |
| India Grain Program (Exchange of Persons) | | 1, 000, 000¶ |
| Total | | $296, 533, 000 |

*Relationship of Recommended Program to the Needs of National Defense and Factors which Limit the Program.*

33. *Relationship of Program to National Defense.* The present struggle between the forces of freedom and the forces of slavery is being prosecuted as actively on the psychological front as on the military. The Kremlin has taken the initiative in this matter. Communist strategy relies heavily on propaganda as a device for fomenting discord and dissatisfaction, for bringing the Communist party into power with the assistance of internal and external forces and for retaining its hold over captive peoples who are frequently basically hostile to the whole concept. Military preparedness alone cannot cope with the threat of Communism. It cannot preserve the peace nor win the victory in the event of war unless there exists the will to resist and a conviction in the basic principles for which the free world stands.

34. The U.S. position in the present crisis is that war is not inevitable, that the peace can be maintained if the free nations are strong physically and economically, if they cooperate and have the will to resist. The USIE program seeks to make this position clear to large numbers of people on both sides of the iron curtain. East of the curtain the expression of America's confidence that these goods are attainable serves to deter further physical aggression by the Kremlin. West of the curtain it encourages and inspires greater effort.

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*Cross requirements. Will be offset in part by local revenues. [Footnote in the source text.]

†Balance remaining in current appropriations. [Footnote in the source text.]

‡ Value of foreign currencies owed to U.S. No appropriation required. [Footnote in the source text.]

§Payment due from Finland on World War I debt. No appropriation required. [Footnote in the source text.]

‖ Estimated expenditure from Trust Fund. [Footnote in the source text.]

¶ Estimated amount to be available from interest payments by the Government of India. No appropriation required. [Footnote in the source text.]

35. If world war should come the USIE program provides an operation which can quickly be transformed into a psychological warfare weapon. To the extent that planning must prepare for this eventuality the development of an adequate staff—trained and equipped for the job—is a must. Equally important is the completion of the radio facilities ring to provide a communications system which can reach around the world and overcome both artificial jamming and the natural interference of atmospheric phenomena.

36. *Analysis of Limiting Factors.* Successful implementation of this program to exert maximum overt psychological pressure on peoples overseas required the removal of several serious obstacles:

*a.* Congressional leaders, particularly the appropriations committees, must understand the relationship of this program to the defense effort and the need for adequate appropriations. The Department alone cannot put this message across. Endorsement and active support by appropriate agencies in the defense field and the Bureau of the Budget is required.

*b.* Restrictive limitations which bind the administrator to the use of funds for one particular media activity or which virtually prohibit the use of funds for certain essential purposes must be eliminated from appropriation acts.

*c.* Recognition at both Congressional and executive levels must be given to the fact that many overseas information activities require a period of months to initiate and that once begun they must continue for a period of time if they are to be effective. An annual appropriation system which permits the amount of funds available to vary widely from year to year is not conducive to good management or successful operation. Moreover, the delays in enacting annual appropriations make it very difficult to plan effectively.

*d.* Greater attention must be given to the overseas propaganda implications of public pronouncements by public officials in all branches of government. There is a positive as well as a negative side to this problem. Much can be done to strengthen U.S. foreign policy by an appropriate speech at the proper time. USIE is limited in its basic charter and appropriation solely to overseas activities and must rely on the public relations staffs of the executive departments to prepare materials for domestic use.

37. Although a year's time has been lost in implementing the program first set forth in Annex V to NSC 68/3, the program can still be highly effective in promoting the achievement of the national objectives, if prompt legislative action is taken. If a supplemental appropriation is voted shortly after January 1, 1952, for the radio ring, it can be in full operation within approximately eighteen months. If another supplemental for the program operations is voted at approximately the same time, the effect of the current appropriation in narrowing the base of program operation other than radio broadcasting can be offset and overcome. The expectation is justified that, given those appropriations, the expanded program can go forward in FY

1953 with hardly a break in tempo and reach a performance peak by the end of FY 1953. If the supplementals are not voted, the reductions necessitated by the current appropriation will make impossible the achievement of effectiveness before the end of FY 1954.

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511.00/11-151

*Foreign Service Information and Educational Exchange Circular*[1]

SECRET WASHINGTON, November 1, 1951.

No. 4

Subject: USIE And Indigenous Operations

1. *Purpose*

1.1 The attention of the officers in charge is called to the need for coordinating USIE and other overt United States Government propaganda activities with any other propaganda activities which the Government may undertake.

1.2 The purpose of this instruction is to describe certain appropriate spheres of action in the field of propaganda activity, as between the overt agencies (Department of State and the Economic Cooperation Administration—hereafter ECA) and other responsible agencies of the Government engaged in propaganda operations and to specify the mechanism agreed for liaison in Washington and in the field. A further purpose is to ensure that the activities of all United States propaganda agencies are secure, related to the common effort and achieve maximum effect.

2. *Definition*

For the purposes of this instruction the following definitions of terms are used:

*a.* Terms applying to information or propaganda material:

*White*—means openly acknowledged as emanating from or distributed by the United States Government.

*Gray*—(If and when employed) means that Government connection is not acknowledged but is concealed and attribution is made to some other source within or outside the United States (other than a hostile source) or no attribution of source is made.

*Black*—means that the genuine source is not acknowledged but is concealed and attribution is made to Soviet, Communist, or other hostile sources, or to sources dominated by or known as sympathetic with such hostile sources.

The word "black" is sometimes mentioned in connection with propaganda material. In that context, its meaning is generally as indicated in the above definition. Neither the Department of State nor the ECA

[1] This was sent to all USIE posts.

or representatives of either organizations are authorized to undertake "black" propaganda activity.

*b.* Terms applying to the conduct of propaganda activities, as distinguished from the propaganda materials defined above:

*Overt*—means conducted in such a manner that they may be attributable to or acknowledged by the United States Government.

*Covert*—means that the techniques used (clandestine in nature) are designed to conceal Government interest or connection therewith, since the United States Government would be unwilling to acknowledge responsibility or have responsibility plausibly attributed to it.

3. *Criteria To Be Applied To Proposed Projects*

The following criteria will permit a ready determination of responsibility for the execution of proposed projects. If the answer to one or more of the following three questions is affirmative, the activity is not a Department of State or ECA responsibility. The activity could be handled only by an appropriate designee of the National Security Council (hereafter NSC). The propagation of any "black" material whatsoever would be the exclusive responsibility of the NSC designee (if and when named). If the answer to all the three questions listed below is negative, the activity is obviously appropriate to and action responsibility rests with the Department of State and/or the ECA.

*a.* Would the disclosure of the source occasion serious embarrassment to the United States Government or to the agencies responsible for the propaganda activity?

*b.* Would the activity or the materials disseminated be seriously discredited if it were to become known that the United States Government was responsible?

*c.* Would the outlet be seriously damaged if it were to become known that the activity is subsidized or otherwise assisted by the United States Government?

4. *Determination of Responsibility for Action Where Substantial Doubt Exists*

4.1 In those situations where doubt exists concerning the replies which might be made to the questions in paragraphs 3*a*, *b*, or *c* above, consultation shall be undertaken through the liaison channels described under 6 below. Such consultation will result in a determination as to the organization best equipped to carry out the proposed activity expeditiously and securely.

4.2 This provision for the settling of cases which may not clearly fall into the area of responsibility of either agency should be followed whenever there is any doubt about how a proposed activity should be conducted. It should not be considered a method to be resorted to only

in extreme cases but rather a procedure to be employed frequently to insure smooth relationships between the two organizations.

5. *Illustrative Examples of the Application of the Criteria*

5.1 The following are examples of activities or projects which would normally be executed by the Department of State and/or the ECA:

*a.* Contracts for purchase of published materials for overt distribution abroad, including subscriptions to magazines, purchase of additional copies of books, pamphlets, or other printed material prepared by foreign organizations, publishing houses, trade unions, et cetera. The prices paid should, in such cases, approximate the market or fair value of the published materials, thus avoiding indirect subsidies through this means.

*b.* Contracts for dissemination of information materials such as posters, pamphlets, or leaflets, motion picture films, still photos, exhibits, et cetera when these contracts conform to the criteria set forth under paragraph 3 above.

*c.* Contracts with publishers, motion picture producers and other producers of information media for production of materials for foreign distribution when these contracts conform to the criteria set forth under paragraph 3 above.

*d.* Direct production and dissemination of material which may be attributed to the United States Government without serious embarrassment or produced and/or disseminated without attribution to any source provided it conforms to the criteria set forth under paragraph 3 above.

5.2 The following are examples of activities or projects which would not be executed by the Department of State and/or the ECA;

*a.* Financial assistance including direct subsidies to foreign newspapers, magazines, and other public information media.

*b.* Financial assistance to foreign labor, youth and women's groups and the like, and programs for propaganda purposes other than the purchase of materials or services as described under 5.1 above. (This shall not, however, be deemed to include serving such organizations in a direct overt advisory capacity.)

*c.* Propaganda campaigns designed to influence foreign political elections.

5.3 The examples given in paragraphs 5.1 and 5.2 above have the limitations of all examples in that they can be construed to narrow the application of the general provisions set forth in this instruction. It should be remembered that they are only examples and that the general provisions should be referred to for the full intent of this instruction.

6. *Machinery for Application of the Criteria*

6.1 The coordination required for application of the principles is achieved by creation of appropriate liaison arrangements in Washington and in the field. Field coordination shall also permit a flow of

suggestions and ideas between designated representatives of the Department of State and/or the ECA and those of a designee of the NSC. It should also provide a method by which foreign facilities of the latter could assist propaganda operations.

6.2 Coordination arrangements in Washington are the responsibility of the Assistant Secretary of State for Public Affairs. He will be responsible for appropriate coordination of necessary liaison arrangements and clearances within the Department of State, the ECA, and with the designee of the National Security Council.

6.3 Washington coordination between the designee of the NSC and the Assistant Secretary of State for Public Affairs must be supplemented by field coordination. The designee of the NSC and the Assistant Secretary of State for Public Affairs will each provide mutually acceptable points of contact in selected field missions for the purpose of field coordination.

6.4 Whenever deemed necessary by the Assistant Secretary of State for Public Affairs and the NSC designee, representative(s) of other United States agencies engaged in propaganda activity abroad will be included in such coordination machinery.

6.5 Whenever the field representative(s) of United States agencies engaged in propaganda activity abroad take under consideration projected propaganda operations which do not clearly fall within the criteria set forth in paragraphs 3 and 5 above, the representative of the designee of the NSC shall be consulted. Any determination made as to the agency which will undertake the project will be in accord with the criteria set forth in paragraphs 3*a*, *b*, and *c* above. If the designated field representatives are unable to reach agreement, the question and related circumstances will be referred for advice to Washington by the channels of the designee of the NSC.

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511.00/11-3051

*Memorandum by the Assistant Secretary of State for Public Affairs (Barrett)*[1]

SECRET [WASHINGTON,] November 13, 1951.

In the light of the extraordinary progress made by this team in the President's Campaign of Truth in the last couple of years, I think it's time to review the whole role of our psychological offensive in the so-called cold war.

We Americans started out in this business as amateurs some ten years ago. We blundered a bit early in the last war, then learned some

[1] Barrett sent this memorandum to Under Secretary of State Webb with a covering memorandum of November 30, 1951.

lessons, and were functioning fairly efficiently by the war's end. Then the Congress all but cut off all overseas information activities. However, in 1946 and 1947, an interesting thing happened. The great majority of members of Congress took trips abroad. They came smack up against the gross misrepresentation abroad of the United States, its actions and its policies. They thereupon voted to establish, as a permanent part of the U.S. Government, a U.S. Information and Educational Exchange Program. It was designed to present to the world "a full and fair picture of America" [2] and to combat distortions and misrepresentations about America.

After that date, 1948, America began conducting a modest information and cultural program around the world. It has paid off without question—in terms of combatting misrepresentations about this country, in terms of making millions understand us better. Its relative success has resulted in part from the amazingly loyal devotion of several thousand men and women, many of whom could readily draw better salaries elsewhere.

In 1948 and 1949, this nation in effect extended such activities in an open, typically honest American sort of way. When numerous Americans from both the executive and legislative branches of our Government traveled abroad and noted that the Marshall Plan was not widely recognized, they acted promptly. They provided an added information program [3] to prove to Western Europe that the Marshall Plan had been that area's salvation—hence that they owed great thanks to the United States. When the Military Assistance Program came into existence, Americans similarly took steps to make certain that America got credit abroad for the help that was being given.[4]

Few stopped to ask whether what we really wanted, in all cases, was credit for the Marshall Plan—or to just what extent we wanted gratitude (which too often blends into envy)—or whether what we basically wanted was a spirit of mutual self-help and the economic progress that would undercut communism.

Eighteen-odd months ago, the President recognized that, on the whole, the U.S. Government was not doing nearly enough in the international information field. He called for a much greater and more militant campaign of truth.

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[2] The reference is to a statement by President Truman on August 31, 1945, in which he declared that the purpose of the information program was to give other peoples "a full and fair picture of American life and of the aims and policies of the United States Government." For the text of the statement, see the Department of State *Bulletin*, September 2, 1945, pp. 306–307.

[3] The ECA information program.

[4] The Mutual Security Act of 1951 abolished the ECA and established the Mutual Security Agency, which was given all powers of the ECA, effective December 30, 1951 (Public Law 165, approved October 10, 1951; 65 Stat. 373).

In preparing that program, a somewhat new approach was tried, with Charlie Hulten[5] taking the lead. To the extent practicable, the program was mapped out country by country, target group by target group, area by area. Then all the strings were pulled together in Washington and, on that basis, a world-wide program was laid out.

That process was an added milestone on the U.S. road to the most useful kind of international information program.

Another milestone was passed when the two U.S. Advisory Commissions,[6] with active cooperation from Jim Webb, insisted on the government's putting international propaganda operations into a new role. This meant ceasing to consider the psychological as just a minor but necessary adjunct to the handling of international affairs; it meant considering the psychological as one of the four major arms of government in the world field—the political (or diplomatic), the economic, the psychological, and the military. This new concept began to bear fruit at headquarters to the extent that the psychological planners were taken into full partnership in overall foreign policy handling—in, for example, the Eisenhower appointment, the Korean war handling, and the President's disarmament plan.

Over the years—and particularly in the last two years—we have begun to learn much more about the potentialities of this work. We have learned that often subtlety pays off in terms of long-range ends far more than direct, sledge-hammer techniques. We have learned that psychological factors must be taken into account when policy is being formulated—not just when it is being announced and publicized. We have learned that, to be truly effective, the media must be carefully tailored to meet the individual problems of each target area and each target group.

In brief: We started out with a program of presenting "a full and fair picture of America" around the world, utilizing information and educational channels. The goal that we see now is that of utilizing the psychological as one of the government's major arms in international affairs and utilizing it, often in subtle ways, not simply to bring credit to America but to attain the conditions that are necessary, country by country, area by area.

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[5] Charles M. Hulten, former General Manager of the International Information and Educational Exchange Program.

[6] The United States Advisory Commission on Information and the United States Advisory Commission on Educational Exchange were created by the U.S. Information and Educational Exchange Act of 1948 to formulate and recommend to the Secretary of State policies and programs for the carrying out of the Act and to report to Congress on the programs and activities carried on under the authority of the Act (Public Law 402, approved January 27, 1948; 62 Stat. 6). See U.S. Advisory Commission on Information, *Semiannual Report to the Congress* (Washington, Government Printing Office, 1949–) and U.S. Advisory Commission on Educational Exchange, *Semiannual Report to the Congress* (Washington, Government Printing Office, 1949–).

I would say that, as a government, we have covered about 50% of the road.

The ideal, as I see it now, looks like this:

1. Continue a modest world-wide program of combatting misrepresentations about this country and presenting a full and fair picture of it in all countries, area by area—but doing so in a way that provides for careful tailoring in each area. (This part of the work should total no more than 25 per cent of the whole, roughly speaking.)

2. Devote the major share of manpower and funds in the expanded Campaign of Truth to a psychological program—carefully integrated into a broader program—for achieving the objectives most important in each country. This would mean undermining Communist regimes in some areas, strengthening anti-Communist political forces in another, bolstering anti-Communist labor groups in a third, inducing the regime in another to make major economic adjustments. To do this, the following mechanism is required:

(*a*) In each critical country the Ambassador should serve as chief of a cold-war staff—or strategy board. Directly under him on that board should be his four key men—his chief political officer, the chief economic officer in the country, the chief information officer, and a top military liaison officer (in those countries where there is important U.S. military representation).

(*b*) This strategy board would lay out the major objectives and the means best calculated to achieve that objective. Such strategy may mean, on occasion, that we let local authorities take the major share of credit for some U.S. aid, or that we play down our own part in a local economic reform—if information work is to make its maximum contribution to the most important objectives.

(*c*) It follows axiomatically that there must be one key information officer in each country. Except for minimum personnel attached to specialized operations abroad for special work, all information operators in each country would be in a single information organization reporting to the key man.

3. In the U.S. we would have whatever mechanism is needed to backstop these foreign operations. For maximum efficiency, this would mean a quasi-independent U.S. Information Service, with maximum administrative independence and flexibility but tied into the State Department. It would be headed by a director or administrator who would report to the Secretary and Under Secretary of State.

4. Paralleling this administrator would be the Assistant Secretary for Public Affairs. His concern would be the coordinated planning and supervision of what we say world-wide, without regard to the mechanisms involved. It would be his function to work closely and full-time with the top planners of overall foreign policy. Through his deputy, he would also have administrative responsibility for PA, SA/M and P/POL. He would not, however, concern himself with USIE budgets or administrative matters in any way; nor would he concern himself with "fronting" for that operation, a function left to the program's administrator. (In a sense, his relationship to the Director would be roughly that of the Assistant Secretary for Economic Affairs to the Director of TCA).

5. To an increasing degree, a major share of the total U.S. funds in this field should go into the gray and covert operations that we have found to pay off so importantly. Such major new operations as transmitters ringing the Iron Curtain should, if possible, be so handled as to produce a minimum of fanfare and debate.

EDWARD W. BARRETT

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511.00/11–1751 : Circular airgram

*The Acting Secretary of State to Certain Diplomatic and Consular Offices* [1]

CONFIDENTIAL WASHINGTON, November 17, 1951.

QUARTERLY PROPAGANDA EMPHASES

In order to afford posts an opportunity to give maximum impact to various carefully planned and coordinated approaches to the major continuing objectives of U.S. foreign policy, the Department proposes to develop during the coming months materials which will have four discernible thematic emphases, corresponding to the four quarters of nineteen fifty-two. The selection of these emphases is dictated by the psychological task of building unity and confidence in support of efforts to achieve peace with freedom.

It should be understood that no departures from established United States policy are contemplated. The four major propaganda campaigns here outlined involve themes and aims which are being sustained and will continue to be sustained for the foreseeable future. The Department's purpose in dividing them into four three-month phases was twofold: first, to enable IE's operating divisions to plan far enough in advance to take advantage of useful dates and occasions, and to synchronize the fastest media products with the slowest; and second, to enable the posts to arrange well in advance for adaptations, translations, printing, (locally or through the Regional Production Centers in London and Manila), and distribution facilities, and for such related local activities as appear to be indicated in each instance.

The broad basic theme for all four quarters of nineteen fifty-two is Progress Through Strength Towards Peace With Freedom. The major emphasis for Phase One (January, February and March) will be on *Peace With Freedom*, with three concurrent subheadings: 1) "The Peace We Believe In"; 2) "Peace Through Deeds"; 3) "The Kremlin—Disturber of the Peace". Phase One is planned as an intensification of the effort to capture for the United States and its co-partners of the Free World the idea of peace which has been perverted and exploited so successfully heretofore by Soviet propagandists. It will seek

[1] This airgram was sent to 130 missions.

to give the word "peace" a broader and richer content more reflective of basic human needs and aspirations, and to sequester the idea against further misuse by the Kremlin by linking it indissolubly with the ideas of freedom and justice.

It is planned in Phase Two (April, May and June) to shift the emphasis to *Strength* for Peace and Freedom. The sub-themes for this second quarter, and the themes and sub-themes for the third and fourth quarters, will be elaborated in subsequent instructions. The elements of each phase are expected to prove useful in succeeding phases, either through mere persistence of their psychological effect or through actual re-employment to complement the new themes. One phase is expected to pass imperceptibly into the next. To a very large extent, the precise nature of themes for Phases Two, Three and Four will be determined by events and by the experience of field officers in the utilization of campaign materials. It is the Department's desire that this whole concept be regarded as a flexible frame of reference for the posts.

The Department recognizes that USIE offices already are in possession of a large body of materials—press items, films, radio transcriptions and scripts, books, pamphlets, photos, etc.—which may be found useful in weighting the accent and thematic content of operations in accordance with the phase scheme outlined above. The Department will in a series of communications issue further guidance on the execution of the plan, as well as set forth what is being done by the International Press and Publications Division (INP), International Broadcasting Division (IBD), Information Centers Division (ICD) and International Motion Pictures Division (IMP) to implement the plan. Your attention is directed to the fact that IBD soon will be giving special treatment to the themes of peace and brotherhood in programs planned for the Christmas season.

Insofar as the program for the first quarter relates to leaflets, photo displays, picture stories and press features, produced by the Department's International Press and Publications Division (INP), the materials thus far definitely scheduled include:

I THE PEACE WE BELIEVE IN

*Leaflets*

A—*A Message of Peace to all Peoples.* Short inspirational text with pictures, appealing primarily to women and children. Mrs. Eleanor Roosevelt is giving consideration to writing this message.

Shipping date: Nov. 23

B—*Peace Under God.* Selections from the writings of great religious leaders of all faiths, indicating their common concern for peace with freedom and human dignity.

*Photo Displays*

C—*The Peace We Believe In.* Unmounted display, showing the religions and humanitarian practices which the United States shares with other nations. Shipping date: Nov. 15

D—*World Brotherhood.* Unmounted display showing the cultural heritage which all nations share. Shipping date: Nov. 15

*Picture Stories*

E—*Human Rights Around the World.* Visualization of the symbols embodied in universal principles of human rights, with reference to the UN Declaration of Human Rights and the U.S. Bill of Rights. Shipping date: Nov. 20

*Press Features*

F—*U.S. Desire For World Peace.* Series of byliners, columns, press features and comment, on how Americans express their desire for world peace with freedom.

G—*The Meaning Of Peace.* Series of press features showing holiday celebrations of various nationalities in the U.S., and stressing the heritage and universal brotherhood themes.

II PEACE THROUGH DEEDS

*Leaflets*

A—*Disarming For Peace.* Leaflet outlining, with pictographs, the tripartite disarmament plan presented at the UN Assembly and real possibilities for a better world if the plan is adopted; includes short excerpts from President Truman's November 7 speech.

B—*Architects of Peace.* Short text with pictures, tracing the coming of age of the U.S. in an international sense, as inspired by leaders like Woodrow Wilson, Frank Kellogg, Franklin D. Roosevelt, Cordell Hull, Wendell Willkie, Arthur Vandenberg, Harry S. Truman, Dean Acheson, John Foster Dulles, etc. Shipping date: Nov. 20

*Photo Displays*

C—*Moving Towards Peace.* Unmounted display showing important events in the Free World's campaign for peace with freedom during 1951. Shipping date: Nov. 15

D—*Korea.* Unmounted display showing U.S. and UN military and economic action in Korea. Shipping date: Nov. 15

*Press Features*

E—*Buttressing World Peace.* Year-end roundup showing U.S. military, economic and social action directed towards world peace with freedom.

F—*Korea.* Year-end roundup on Korean situation, with feature stories on rehabilitation and the U.S. role in UN action.

III THE KREMLIN: DISTURBER OF THE PEACE

*Leaflets*

A—*Prevent World War III.* Text with illustration showing that aggression can be stopped by united effort under the UN.

Shipping date: Nov. 1

B—*Beware The Red Dove of Peace.* The facts behind the Kremlin's phony peace, describing Communist imperialism, terror, obstruction of peace, with a plea to judge by deeds, not words.

Shipping date: Nov. 15

C—*Slave Labor In The Soviet World.* Heavily documented pamphlet with illustrations describing the full extent of Soviet slave labor practices. Shipping date: Nov. 7

D—*Veto.* Pictures and texts recapitulating forty-seven Soviet vetoes at the UN. Shipping date: Nov. 5

*Photo Displays*

E—*Disturber Of The Peace.* Unmounted display portraying Soviet obstruction in the UN, refusal to contribute to UNESCO, etc., persecutions, sponsorship of Korean aggression. Shipping date: Nov. 15

*Press Features*

F—*Communism Geared For War.* Features on the Soviet economy, revealing the extent to which it is committed to armaments.

G—*Disturber Of The Peace.* Features on Soviet obstruction of peace efforts in the UN and other international organizations.

Certain operational points may be noted in connection with press and publications (INP) campaign output:

1. Campaign materials will *not* be forwarded all together in a kit, but each item will be sent as soon as completed as a component part of the steady routine flow of press, photo and publications material. As many phase one items as possible will be marked "INP Project One."
2. Leaflets will be sent in the usual 10 English language pilot models to each post, with separate attribution instructions for each.
3. If appropriate occasion arises for use of campaign material before January 1, for example in connection with the Christmas–New Year season, posts are authorized to make such use at their discretion.

It will be appreciated also that, owing to budgetary uncertainties, the planning here indicated has been regrettably delayed. The Department is aware that, in consequence, materials designed for use in the first quarterly project may not reach posts in sufficient time to permit ideal distribution and utilization at the outset. Every effort will be made to correct this unavoidable situation as the program progresses.

In considering the project outlined in this airgram, officers should especially bear in mind that the above list of projects is far from com-

plete. Specifically, the regional phases of the program have not been here presented, and will shortly be completed and sent to posts in a separate airgram. Officers should give the most serious consideration to the plan as it will thus be fully presented, and should approach it as a technique for maximizing our propaganda potential in terms of specific areas. Posts, of course, not only have but are urged to exercise their discretion and judgment on the use or adaptation of given items or themes. Field comments are welcome, and should include constructive suggestions on projects outlined in this and succeeding communications and/or new approaches which more closely fit area requirements.

Officers should also bear in mind that campaign themes and materials are applicable to most phases of cultural programs, as well as to media operations.

This airgram is being sent to all USIE posts, and certain others for their information. Servicing of campaign materials will be carried on in the same manner as in the past.

WEBB

549-782—79——62

# UNITED STATES POLICIES WITH RESPECT TO PETROLEUM [1]

S/P–NSC Files, Lot 61 D 167 [2]

*Memorandum by the Assistant Secretary of State for Economic Affairs (Thorp) to the Secretary of State*

TOP SECRET [WASHINGTON,] January 3, 1951.

Subject: NSC 97—A National Petroleum Program [3]

*Discussion:*

The Department of Defense in its letter of December 27, 1950 (NSC 97—Tab A) states that a "National Petroleum Program" is necessary, and urges that it be developed immediately. The practical purpose of the program would be to assure adequate supplies of oil in the event of a major war. It is generally agreed that the problem would be acute if Middle East oil supplies should be lost.

Previous suggestions of the Defense Department for a national petroleum program have led to interdepartmental discussions seeking agreement on a broad statement of petroleum policy. These discussions were ineffectual. Moreover, all policy statements prepared so far have suffered from the defect of being so general as to be of limited value in dealing with petroleum planning in the present international situation. The most ambitious and recent attempt was that of the NSRB Interdepartmental Staff Group (ISG) in May 1949 (Tab B).[4]

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[1] Documentation on United States petroleum policy with specific reference to the Middle East is included in volume v.

[2] Serial file of memoranda relating to National Security Council questions for the years 1950–1961, as maintained by the Policy Planning Staff.

[3] NSC 97, "A National Petroleum Program," December 28, 1950, is printed in *Foreign Relations*, 1950, vol. I, p. 489. It is comprised of a letter from Robert A. Lovett, Acting Secretary of Defense, to the National Security Council, and a note by James S. Lay, Jr., Executive Secretary of the National Security Council, indicating that at the direction of the President, the report had been referred to Charles E. Wilson, Director of Defense Mobilization, for the development of a national petroleum policy providing for the supply of requirements in the event of major war.

Assistant Secretary Thorp prepared the present paper in light of a memorandum of January 2 by Philip C. Jessup, Ambassador at Large, informing Thorp that NSC 97 had been placed on the agenda for the NSC meeting of January 4, and that Secretary Acheson needed a briefing memorandum. (S/P–NSC Files, Lot 61 D 167) No evidence has been found in the Department of State files to indicate formal NSC action on this subject on January 4. However, the source text of the present memorandum bears the following notation by Walter N. Walmsley, Jr., Alternate Department of State Representative on the Senior Staff of the National Security Council: "Pres. on Jan. 4(?) ref'd 97 to ODM to develop program. Being handled there by Fred Searles (189x553)." Searles was an Assistant to the Director of ODM.

[4] Not printed.

One of the ISG conclusions, without dissent, was that "the preparation at any given moment of a comprehensive policy statement covering all aspects of petroleum policy is a practical impossibility".

In the opinion of ITP, NEA, and ARA, it would be useless at this time to attempt to develop, as in the past, a comprehensive statement of a national petroleum policy. What is needed, and overdue, is the assignment to the Petroleum Administration for Defense of primary responsibility to initiate the development, with other interested agencies, chiefly State, Defense, and Commerce, of the specific programs necessary to insure adequate supplies of petroleum for the Western Powers in the event of a major war in the near future. It is believed that this, in fact, is what the Defense Department is mainly concerned about at the present time.

Since allied requirements of oil cannot be supplied exclusively from the United States, it is essential to decide promptly on the kind and extent of international collaboration in planning for adequate supplies of petroleum.

Judging from past experience, efforts may be made to limit responsibility for planning to a single agency, to the United States alone, or at most to a United States–United Kingdom effort. The Department is generally opposed to such limitations, believing that other agencies are less conscious of the foreign relations aspects of petroleum planning and that collaboration with principal producing and consuming countries is essential.

*Recommendations:*

1. It is recommended that you support strongly the proposal for prompt development of a program to insure adequate petroleum supplies for an allied war effort.

2. It is recommended that an interdepartmental committee, including at least the Petroleum Administration for Defense, State, Defense, and Commerce Departments, be established to meet immediately to consider the policy questions involved in recommendation 1, and to report promptly to NSC the principal policy problems involved and their solutions.[5]

[5] On April 3, 1951, the Secretary of the Interior, Oscar L. Chapman, sent Secretary Acheson a letter, in which he proposed to create a Foreign Petroleum Committee to counsel and advise the Petroleum Administration for Defense regarding problems affecting foreign petroleum supply. Secretary Chapman wished to have representatives of the Department of State, Department of Defense, Department of Commerce, the Economic Cooperation Administration, the Office of Defense Mobilization, the Defense Production Administration, and the National Production Authority sit on the committee. (800.2553/4–351)

The Under Secretary of State, James E. Webb, replied to Secretary Chapman's letter on April 16, 1951, and informed the Secretary of the Interior that the State Department representative on the Foreign Petroleum Committee would be Harold F. Linder, Deputy Assistant Secretary of State for Economic Affairs, and that his alternate would be Edwin G. Moline, Acting Chief of the Petroleum Policy Staff (800.2553/4–351).

The Foreign Petroleum Committee held its first meeting on April 25, 1951. The committee minutes are located in E/ITR Files, Lot 57 D 294, Box 348.

3. It is recommended that you oppose any final limitation of responsibility for the scope or development of the petroleum program to a single United States agency, to the United States alone, or to a United States–United Kingdom effort.

*Concurrences:*

ITP—Messrs. Brown [6] and Leddy [7]
E—Mr. Schaetzel [8]
NEA—Mr. McGhee [9] in substance, Mr. Howard [10]
ARA—Mr. Corliss,[11] and Mr. White [12] in substance
OSA—Messrs. Atwood [13] and Krieg [14]

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[6] Winthrop G. Brown, Director, Office of International Trade Policy.
[7] John M. Leddy, Deputy Director, Office of International Trade Policy.
[8] J. Robert Schaetzel, Special Assistant to the Assistant Secretary of State for Economic Affairs.
[9] George C. McGhee, Assistant Secretary of State for Near Eastern, South Asian, and African Affairs.
[10] Presumably John B. Howard, Regional Planning Adviser, Bureau of Near Eastern, South Asian, and African Affairs.
[11] James C. Corliss, Assistant Economic and Finance Adviser, Bureau of Inter-American Affairs.
[12] Ivan B. White, Economic and Finance Adviser, Bureau of Inter-American Affairs.
[13] Rollin S. Atwood, Deputy Director, Office of South American Affairs, Bureau of Inter-American Affairs.
[14] William L. Krieg, Officer in Charge, North and West Coast Affairs, Office of South American Affairs, Bureau of Inter-American Affairs.

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711.6/3-2151

*Memorandum by Mr. Nester C. Ortiz, Petroleum Policy Staff, to the Acting Chief of the Petroleum Policy Staff (Moline)*

[WASHINGTON,] March 21, 1951.

Subject: PAD [1] given responsibility by ODM for formulating National Petroleum Program and National Petroleum Policy.

1. In a letter of last week (March 12–16), excerpts of which were read to me, addressed by ODM (General Lucius Clay)[2] to Secretary Chapman, PAD was given the primary responsibility for establishing a Foreign Petroleum Program and National Petroleum Policy. This letter is in response to a previous letter by Secretary Chapman to Mr. Wilson, dated around the first of the year,[3] which sought to explain why little progress had been made in the formulation of a

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[1] The Petroleum Administration for Defense was created under the Defense Production Act of 1950 (Public Law 774; 64 Stat. 798) by the Secretary of the Interior on October 3, 1950. Its functions included the development and execution of policies and programs for meeting military, governmental, industrial, and civilian requirements for petroleum and gas.
[2] Gen. Lucius D. Clay, Special Assistant to the Director, Office of Defense Mobilization.
[3] Not printed.

National Petroleum Program, a matter which had long been under consideration by various Government agencies and had resulted in a rather sharp exchange of correspondence involving the Department of Defense, the National Security Resources Board, and the Department of Interior, some of which was exchanged on a Cabinet level.

PAD (Ballou)[4] stated they understood that the immediate responsibility given to them by this letter was to present proposals to ODM for dealing with estimates of crude and refinery losses anticipated with the outbreak of an all-out war, and measures which might be taken to overcome such losses, including consideration of development programs for increasing Canadian and Venezuelan crude production, as well as measures for resolving problems related to off-shore U.S. petroleum development.

Among other things, the letter stated that ODM would undertake to coordinate PAD's plans and suggestions with those of other Government departments, adding that a program should be presented to the National Security Council for the coordination of U.S. and allied interests relating to petroleum.

2. Last week representatives of PAD (George Ballou and Carroll Fentress)[5] met informally with ODM representatives (Vincent Rock[6] and Shaw Livermore[7]) to sound out the possibility of establishing a Foreign Petroleum Committee, with the suggestion that it might properly lie within the scope of authority of ODM's Committee on Foreign Supplies and Requirements.[8] The ODM representatives stated they would take the matter under advisement, including the possibil-

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[4] George T. Ballou, Director, Foreign Refining Division, Petroleum Administration for Defense.

[5] Carroll D. Fentress, Special Assistant to the Deputy Administrator, Petroleum Administration for Defense.

[6] Vincent P. Rock, Assistant Executive Secretary, Office of Defense Mobilization.

[7] Shaw Livermore, Staff Director for Committee on Foreign Supplies and Requirements, Economic Cooperation Administration.

[8] The ODM's Committee on Foreign Supplies and Requirements was created by the Director of the Office of Defense Mobilization on January 19, 1951. Its general purpose was to improve the coordination and effectiveness of Federal policies and programs relating to foreign supplies and requirements. Its membership was drawn from the Department of State, Department of Treasury, Department of Defense, Department of the Interior, Department of Agriculture, Department of Commerce, Department of Labor, Economic Cooperation Administration, Defense Production Administration, General Services Administration, and Mr. W. Averell Harriman, Special Assistant to the President. Mr. Wilson specifically charged the committee with the following responsibilities: to advise him on problems relating to economic aspects of foreign requirements; to formulate guidance for United States representatives abroad regarding policies, plans, and programs of the Director of the Office of Defense Mobilization; to review for Mr. Wilson such proposed legislation, Executive Orders, and administrative orders and regulations relating to economic aspects of foreign requirements; and to formulate for the Director of Defense Mobilization policies and programs which would employ the economic resources of the United States for the purpose of obtaining strategic needs from foreign sources.

For information on the creation of the Foreign Petroleum Committee, see footnote 5, *supra*.

ity of establishing this Foreign Petroleum Committee as an "independent" group, which would look to the ODM Committee for guidance on basic policy decisions or to arbitrate irreconcilable differences which may arise between the agency representatives with respect to foreign petroleum development.

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S/S–NSC Files, Lot 63 D 351,[1] NSC 97 Series

*Memorandum by Mr. Walter N. Walmsley, Jr., Alternate Department of State Representative on the Senior Staff of the National Security Council* [2]

TOP SECRET [WASHINGTON,] November 29, 1951.

Subject: Relative Cost of Insuring Availability of Certain Middle East Oil Facilities or of Offsetting Their Loss

The NSC Senior Staff completed consideration on November 27 of an interim report to the Council on a national petroleum program.[3] This report is intended to inform the Council of such measures as have been or are being taken by the competent agencies, within existing policies, to prepare for fueling a major war effort, and to make interim recommendations of policies designed for the same purpose where policy decisions or legislation are required.

This report stems from NSC Staff consideration over the past several months of two PAD reports on "World-Wide Demand and Supply of Petroleum in Event of a Major War" dated July 20, 1951, and on "Tanker Transportation Supplement", dated September 25, 1951.[4] These reports together with another one on refining, and the contributions of the pertinent agencies and the industry, will serve as the basis on which the OPM by Presidential directive will draft a national petroleum program.

The intimate relationship between oil requirements of the free world and the regional Middle East policies the NSC Staff is now studying, has been continually stressed in the Staff. However, the impracticability of calculating and comparing the military cost in blood and treasure and the financial and economic cost of replacing Middle East production and refining facilities has only just now been recognized.

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[1] Master set of National Security Council documentation, 1947–1961, retired by the Executive Secretariat of the Department of State (S/S).

[2] This memorandum was directed to George C. McGhee, Assistant Secretary of State for Near Eastern, South Asian, and African Affairs; Willard L. Thorp, Assistant Secretary of State for Economic Affairs; and Paul H. Nitze, Director of the Policy Planning Staff.

[3] The paper under reference is NSC 97/1, "A National Petroleum Program," a report to the National Security Council by Executive Secretary James S. Lay, Jr., November 27, 1951. For text of NSC 97/1, amended and approved as 97/2, December 13, 1951, see p. 978.

[4] Neither printed.

The following agreement of the Senior Staff on November 27 represents its recognition of this situation, and is quoted for your information:

"Agreed that, in connection with but not necessarily as a part of the Mediterranean and Middle East project,[5] the Department of Defense should prepare a study of the cost of the military effort in terms of feasibility, time and material, and the forces required to ensure the continued availability of oil from the Bahrein–Qatar–Saudi Arabia area, and the Office of Defense Mobilization should prepare a study of the economic cost in terms of feasibility, time and material required to offset the loss of oil from that area."

[5] In 1952, the project under reference produced reports in the NSC 129 series, "U.S. Objectives and Policies With Respect to the Arab States and Israel." Documentation regarding that series will be treated in a subsequent volume in the *Foreign Relations* series.

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S/S–NSC Files, Lot 63 D 351, NSC 97 Series

*Memorandum by the Assistant Secretary of State for Economic Affairs (Thorp) to the Acting Secretary of State (Webb)*

TOP SECRET [WASHINGTON, December 11, 1951.] [1]

Subject: Briefing Memorandum on Petroleum for NSC Meeting, December 12, 1951

*Problem*

To determine a Department position in the NSC in regard to the *Recommendations* in a draft Interim Report on a National Petroleum Program dated November 27, 1951.

*Recommendation*

It is recommended that the proposed *Recommendations* in the Interim Report be adopted if the other Council members and invited representatives of interested agencies raise no objections (Interior and Justice will participate in the Council action).

*Cleared by*

EUR NEA ARA FE C R

*Background*

At the direction of the President, the proposal by the Acting Secretary of Defense on December 27, 1950, relating to a national petroleum program was referred to the Director of Defense Mobilization for the development of a program which would lead to the complete

[1] Originally drafted on December 10, 1951; revised on December 11, 1951, to reflect the decisions taken in the NSC Senior Staff meeting that day.

supply of allied petroleum requirements (NSC 97). Subsequently, at the request of the Director of Defense Mobilization a report on "World-Wide Demand and Supply of Petroleum in Event of a Major War," (dated July 20, 1951), together with a "Tanker Transportation Supplement," (dated September 25, 1951),[2] was prepared by the Petroleum Administrator for Defense (PAD) for use in the development of a national petroleum program.

The NSC Staff has on several occasions considered the PAD reports, and other data submitted both orally and in writing, with a view to determining, pending completion of the National Petroleum Program,

*a*) what measures to better our oil situation can be taken without policy decision on a national level; and,

*b*) what measures, to the same purpose, requiring such policy decisions, should be recommended to the Council.

Certain measures have been assigned to, and accepted by, the Department and have in some instances been initiated. The recommended policies now submitted to the Council, however, in no instance involve implementation by the Department.

I do not believe it necessary that you read the entire report. It should suffice if you looked at paragraph 1, the *Problem;* paragraphs 2, 3, 5 and 6 of Section 1, *Background:* paragraphs 7*b*, 8*a*, *b*, *c* and *d* of Section 2, *Action Underway or Under Study* (involving the Department); paragraphs 23, the *Tideland Oil Fields*, and 24, *Other Preparatory Steps*, which may involve some questions on which the Attorney General may speak; and paragraphs 27–34, the *Interim Recommendations*.[3]

For your convenience, the main points of the report are summarized:

1. During the first six months of a major war commencing in mid-1952 there would be a critical shortage of petroleum. This shortage could only be eliminated by construction of more refining capacity than now planned by the industry, and, in addition, (*a*) by holding Saudi Arabia, Bahrein, Qatar and Indonesia, or (*b*) by taking certain emergency measures, including stockpiling, overproducing domestic crude oil resources, reducing sabotage and other losses from enemy action, and prompt elimination both here and abroad of all non-essential petroleum consumption. Since it would be physically impossible, even with unlimited materials, manpower, and every other necessary facility, to construct the deficient refining capacity by mid-1952, it is not possible to compensate for the prospective oil shortage by that time. This renders it all the more important that measures be initiated promptly.

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[2] Neither printed.

[3] The paper under reference is NSC 97/1, "A National Petroleum Program," a report to the National Security Council by Executive Secretary Lay, November 27, 1951. For text of NSC 97/2, a slightly revised draft of NSC 97/1, see p. 978.

2. The principal interim recommendation (paragraph 27) is that the current petroleum program be accelerated beyond the limits now imposed by the currently accepted principle of partial mobilization and that this program for the two-year period beginning in mid-1952 should be as large as is compatible with the quantities of steel that can be made available without disrupting other aspects of the mobilization effort. A number of other recommendations are made in regard to certain specific projects for improving the oil position. An example is that the national security interest requires the resumption of full-scale development of tidelands oil, under temporary arrangements if necessary.

3. The most important of the measures already underway, or under study, covered in the report but not requiring Council action, concern the study of the feasibility of ensuring the availability of oil from the Saudi Arabia–Bahrein–Qatar area, and of the feasibility and economic cost of offsetting elsewhere the loss of oil from that area. In addition to these a number of other actions have been assigned to particular agencies, including development of a domestic standby rationing plan by ODM. Those for which the Department has been requested to take on responsibility are the following:

(*a*) Developing standby oil rationing plans in foreign countries. (Subject to amendment discussed below)

(*b*) Studying the possibilities of organizing and placing in a state of readiness for areas not under Allied military occupation rehabilitation teams for the prompt repair of damaged oil facilities.

(*c*) Jointly with CIA studying measures that could be taken to counter and reduce the sabotage of oil installations abroad. Steps are being taken to develop countersabotage plans for the protection of critical oil facilities abroad using the machinery of NSC 29 "Security of Strategically Important Industrial Operations in Foreign Countries."[4] Furthermore, the report also suggests the desirability of an analysis by the Department of the political implications involved in diverting new refining construction from unsafe areas abroad to safe areas (a study assigned to ODM).

Presumably when the studies are completed further recommendations will be developed for the Council.

In regard to (*a*) above, in Senior Staff December 11, we proposed the following amendment to paragraph 7*b* which was accepted:

"*b*. The Department of State is taking steps [to secure standby oil rationing plans in other countries, including the proposed establishment of] *to establish* an oil planning group in NATO [and] *which will study the minimum essential civilian requirements of NATO countries as a basis for allocations in case the need arises. The D of S is*

[4] Not printed.

*also planning, on a selective basis*, direct approaches to certain Latin American countries[.] *for the same purpose.*[5]

The new language is recommended in order to give recognition to the fact that our primary interest is related to equitable allocations, rather than to the question of how the Latin American Governments divide their reduced supplies internally.

[5] According to a memorandum for the National Security Council by Executive Secretary Lay, December 11, 1951, the textual changes recommended by the Department of State in paragraph 7*b* were accepted in the NSC Senior Staff meeting held that day (S/S–NSC Files, Lot 63 D 351, NSC 97 Series).

The original draft of paragraph 7*b*, as it appeared in NSC 97/1, was as follows:

"The Department of State is taking steps to secure standby oil rationing plans in other countries, including the proposed establishment of an oil planning group in NATO, and direct approaches to certain Latin American countries." (S/P–NSC Files, Lot 61 D 167)

All brackets appear in the source text.

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S/S–NSC Files, Lot 63 D 351, NSC 97 Series

*Memorandum by the Executive Secretary of the National Security Council (Lay)*

TOP SECRET WASHINGTON, December 11, 1951.

MEMORANDUM FOR THE NATIONAL SECURITY COUNCIL

Subject: Security of Certain Middle East Areas

References: A. NSC 97 Series on "A National Petroleum Program."
B. Senior NSC Staff Project on "The Eastern Mediterranean and Middle East."[1]

The attached memorandum from the Secretary of Defense,[2] containing excerpts from a Joint Chiefs of Staff paper on the subject, is transmitted for the information of the National Security Council in connection with the reference projects.

[Annex]

*Memorandum by the Secretary of Defense (Lovett) to the National Security Council*

TOP SECRET WASHINGTON, 11 December 1951.

Subject: Excerpts from a Joint Chiefs of Staff Paper Relating to NSC 97/1

Included in this memorandum are excerpts from a recent memorandum for the Secretary of Defense from the Joint Chiefs of Staff

[1] In 1952, the project under reference produced reports in the NSC 129 series, "U.S. Objectives and Policies With Respect to the Arab States and Israel." Documentation regarding that series will be treated in a subsequent volume in the *Foreign Relations* series.

[2] Robert A. Lovett.

on the subject of what additional steps political and military might be taken to secure or deny Kuwait, Saudi Arabia and Bahrein which are presented at this time as being pertinent both to "A National Petroleum Program," (NSC 97/1) and the paper entitled "The Eastern Mediterranean and the Middle East."

The Joint Chiefs of Staff note that it has been generally accepted as between the United States and the United Kingdom that the defense of the over-all area of the Middle East is a British strategic responsibility. The maintenance of the security of the area of the Middle East against aggression by nations hostile to the United Kingdom has been a cardinal principle of British policy for generations, and the British have fought for the security of this area in two world wars. The execution of that policy during World War II was under the same political leadership as that now heading the Government of Great Britain.

Military conversations were held at Malta early in 1951 among the Commander in Chief, U.S. Naval Forces Eastern Atlantic and Mediterranean, and the British Middle East Commanders in Chief, to discuss certain military aspects of the defense of the area of the Middle East.[3] The conversations indicated that the establishment of an effective defense of areas of strategic importance against Soviet aggression would require the provision of forces from outside sources, in addition to such indigenous forces as might join in the defense effort. It was indicated at that time that forces were not available for commitment from United Kingdom sources, and additionally, that such forces were not then at the disposal of the United Kingdom from British Commonwealth of Nations sources.

The United States has now in the Mediterranean area certain naval and air forces whose primary task is to operate in support of Supreme Allied Commander, Europe.[4] In addition, there are minor naval and air force units, of small combat potential in the Persian Gulf area. In the event of Soviet aggression against Kuwait, Saudi Arabia, and Bahrein, it might be possible, depending on other circumstances, for United States forces in the Mediterranean–Middle East to offer some support to other forces operating in defense of those areas. In any event, these United States naval and air forces cannot be considered as capable by themselves of providing an effective defense of the Kuwait, Saudi Arabian, and Bahrein areas.

. . . . . .

Because of United States commitments in other areas it is in the United States interest that the United Kingdom have primary military responsibility for Israel and the Arab States. However, the special

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[3] For documentation on the proposed Mediterranean and Middle East commands, see vol. III, pp. 460 ff.

[4] General of the Army Dwight D. Eisenhower.

United States–Saudi Arabia arrangements now existing should continue.

The United States, in collaboration with the United Kingdom, France, and Turkey, is attempting to establish a Middle East Command as a focal point for the cooperative defense effort of Middle East nations combined with such Commonwealth contributions as may be forthcoming, but avoiding any commitment of United States forces.

The primary military commitment of the United States under Presidentially approved national strategic concepts, exclusive of the defense of the United States and support of the United Nations' efforts in Korea, is the defense of Western Europe. This is implicit in United States membership in the North Atlantic Treaty Organization. You are familiar with the concern recently expressed by the Supreme Headquarters Allied Powers Europe regarding the inadequacy of forces, in being or projected, to accomplish this primary objective.

United States forces are not available for specific commitment to the Kuwait, Saudi Arabian, and Bahrein areas under current war plans. Consequently, in light of all of the foregoing, the Joint Chiefs of Staff consider that the defense of those areas, together with the over-all area of the Middle East, should be accepted by the British as a British responsibility, and that they should develop, organize, and as necessary provide forces for an effective defense thereof.

For the Secretary of Defense:
K. R. Kreps
*Colonel, USAF, Deputy Director*
*Executive Office of the Secretary*

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103.1/12–1251

*Memorandum by the Under Secretary of State (Webb)*

TOP SECRET [Washington,] December 12, 1951.

*National Security Council, Wednesday, December 12, 1951*

*Item 1.* The briefing was held. In the course of this briefing the thought occurred to me that it might be a most useful supplement to this briefing to have Mr. Harvey give the same briefing that he gives the Under Secretary's Meeting once a week. I believe this would be informative insofar as the President and other members of the NSC are concerned and would perhaps be the most economical way they could obtain the information. At the same time, I believe it would make a good impression on behalf of the State Department. I suggest this be considered by Mr. Bohlen [1] and Mr. Armstrong [2] and if they think well

[1] Charles E. Bohlen, Counselor to the Department of State.
[2] W. Park Armstrong, Jr., Special Assistant to the Secretary of State for Intelligence.

of it let Mr. Lay hear one of Mr. Harvey's briefings to see whether he would like to make this suggestion to the President.

*Item 2.* The President called on Defense first, and Mr. Foster [3] stated that while Defense generally concurred in the paper,[4] he did not wish this concurrence to indicate that this project should rate a priority higher than others. He indicated he wished to give real study as to just what priority it should receive and, in general, made remarks indicating that although he wished the study to proceed and the program expedited, he did not wish to be bound as to its exact priority.

Mr. Foley [5] indicated that he believed the present tax provisions in the law were sufficiently favorable to get the plan implemented, and doubted the advisability of asking for any further legislation. Mr. Searles,[6] for Interior, indicated concurrence and expressed the hope that Mr. Wilson could proceed with all the arrangements for rationing so that this could be put into effect with a minimum loss of time, and suggested that ration books could be printed up. Mr. Wilson expressed concern that this would start a certain amount of alarm, but that he was prepared to go ahead if that was desired. The President did not indicate concurrence at this meeting in putting this much urgency on the program, but requested that this problem of how much urgency and whether to print the ration coupons be given the most careful consideration by Interior and Mr. Wilson's office.

Mr. Graham Morison,[7] for the Attorney General,[8] stated that the Department of Justice was concerned with that part of the plan which tended to put representatives of the oil industry in a position of performing governmental functions and having access to the data collected by the government. He stated that if representatives of the larger oil industries were placed in these positions, the independents would undoubtedly suffer, and further stated that the record of the industry insofar as anti-trust activity was concerned, was not too good.

In the end the paper was agreed to with the understanding that Mr. Foster's reservation as to priority would be noted, that Interior and Mr. Wilson's office were to get together, and that Interior and the Department of Justice were to get together on the features of industry participation.

James E. Webb

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[3] William C. Foster, Deputy Secretary of Defense.

[4] The paper under reference is NSC 97/1, "A National Petroleum Program," a report to the National Security Council by Executive Secretary Lay, November 27, 1951. The text of NSC 97/2, a slightly revised draft of NSC 97/1, appears *infra*.

[5] Edward H. Foley, Under Secretary of the Treasury.

[6] Richard D. Searles, Under Secretary of the Interior.

[7] Assistant Attorney General, Antitrust Division, Department of Justice.

[8] J. Howard McGrath.

S/S–NSC Files, Lot 63 D 351, NSC 97 Series

*Report to the President by the National Security Council*

TOP SECRET
NSC 97/2

WASHINGTON, December 13, 1951.

A NATIONAL PETROLEUM PROGRAM

NOTE BY THE EXECUTIVE SECRETARY

References: A. NSC Action No. 592 [1]
B. NSC 97/1 [2]
C. Memos for NSC from Executive Secretary, same subject, dated December 11 and 12, 1951 [3]
D. Memo for NSC from Executive Secretary, subject, "Security of Certain Middle East Areas", dated December 11, 1951 [4]

At the 109th meeting,[5] with the President presiding, the National Security Council, the Acting Secretary of the Treasury,[6] Mr. Morison for the Attorney General, the Acting Secretary of the Interior,[7] Mr. Fleischmann [8] for the Secretary of Commerce [9] and the Director of Defense Mobilization adopted NSC 97/1, subject to the changes in paragraphs 3, 7*b*, 8*a*, 24 and 34 proposed by the Senior NSC Staff in the enclosure to the reference memorandum of December 11 on the subject.[10] The report as amended is enclosed.

In connection with its action on this report the Council noted the statement by the Deputy Secretary of Defense that he did not wish his approval of NSC 97/1 to mean the establishment of a specific priority for the petroleum program in relation to all other defense programs, pending more detailed examination of the program.

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[1] Not printed. The purport of NSC Action No. 592 is presented in this Note by the Executive Secretary to the National Security Council.

[2] Draft report NSC 97/1, "A National Petroleum Program," November 27, 1951, became, in slightly revised form, NSC 97/2.

[3] Neither memorandum is printed. The memorandum of December 11 circulated revisions to NSC 97/1 proposed by the NSC Senior Staff. The memorandum of December 12 circulated, at the request of the Secretary of Defense, a memorandum by the Joint Chiefs of Staff dated December 11 in which they recommended changes to paragraph 3 of NSC 97/1 and, subject to the changes, expressed general concurrence from the military point of view with the interim recommendations and analysis contained in NSC 97/1.

[4] *Ante*, p. 974.

[5] December 12.

[6] Edward H. Foley.

[7] Richard D. Searles.

[8] Manly Fleischmann, Administrator, National Production Authority.

[9] Charles Sawyer.

[10] Not printed. The Department of State recommended the changes which were adopted in paragraph 7*b*. For information regarding this textual change, see footnote 5, p. 974.

The report as amended was subsequently submitted to the President for consideration. The President has this date approved the Interim Recommendations contained herein and directs their implementation by all appropriate executive departments and agencies of the U.S. Government under the coordination of the Director of Defense Mobilization.

JAMES S. LAY, JR.

[Enclosure]

## INTERIM REPORT BY THE NATIONAL SECURITY COUNCIL ON A NATIONAL PETROLEUM PROGRAM

### THE PROBLEM

1. To indicate the current status of the project for development of a national petroleum program and to recommend interim policies for early implementation pending further study.

### ANALYSIS

*Section 1: Background*

2. At the direction of the President, the proposal by the Acting Secretary of Defense on December 27, 1950, relating to a national petroleum program was referred to the Director of Defense Mobilization for the development of a program which would lead to the complete supply of allied requirements (NSC 97).[11] At the request of the Director of Defense Mobilization a report on "World-Wide Demand and Supply of Petroleum in Event of a Major War," dated July 20, 1951, together with a "Tanker Transportation Supplement" dated September 25, 1951,[12] was prepared by the Petroleum Administrator for Defense (PAD) for use in the development of a national petroleum program under NSC 97.

3. The general conclusions reached in the PAD Report as to the petroleum situation in a major war commencing in mid-1952 (based on the assumptions set forth in the PAD Report and described in paragraph 5 below) may be summarized as follows:[13]

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[11] *Foreign Relations*, 1950, vol. I, p. 489.

[12] Neither printed.

[13] In NSC 97/1, "A National Petroleum Program," a report to the National Security Council by Executive Secretary Lay, November 27, 1951, this sentence reads as follows:

"3. The general conclusions reached in the PAD Report as to the petroleum situation in a major war commencing in mid-1952 may be summarized as follows:" (S/P–NSC Files, Lot 61 D 167)

*a.* Substantial shortages of crude oil or refining capacity or both, and of transportation, will occur in all of the three war cases studied,* during the first six months of a war as the result of: [14]

(1) Loss of areas whose crude oil and refineries are now available to the United States and its Allies.

(2) Severe losses of producing, refining and distribution facilities as a result of sabotage and enemy action in the areas retained.

(3) Large increases in military requirements.

(4) The time required to establish and make effective a drastic civilian rationing and conversion program.

(5) Loss of tankers and tanker efficiency.

*b.* It will be impossible for the petroleum industry to fuel an all out war during the first six months unless these shortages can be substantially reduced by drastic rationing at the outset of a war, stockpiling, producing crude above maximum efficient rate of production and by reducing losses from sabotage and enemy action. In addition to these steps a substantial refinery construction program will have to be initiated immediately.[15]

*c.* If petroleum supply and demand can be brought into reasonable balance during the first six months of a war, which is the period of greatest shortages, the problems thereafter can be solved.

4. Some further observations based on a study of the PAD Report by the Office of Defense Mobilization are pertinent in this connection. Petroleum supply and requirements for an all-out war vary by time factors: i.e., until hostilities commence civilian demand is estimated to increase at around its normal rate of five per cent per year. (After

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*See page 4 of PAD Report, dated July 20, 1951, on "World-Wide Demand and Supply of Petroleum in Event of a Major War." [Footnote in the source text. The report is not here printed. The three war cases studied and referred to in the PAD Report are as follows:

"*Case X.* The entire Middle East, including Turkey; Denmark, Greece, Sweden and Western Germany in Europe; and Burma, Thailand, Indo-China, Malaya, Hongkong, Korea, Indonesia, and British Borneo in the Far East. All of these countries to be lost early in the war. They will be regained late in the war, and their minimum civilian petroleum requirements will be supplied by the United States and Allies. The amounts so supplied are assumed to be included in the military requirement. Crude oil from the portions of the Middle East regained is considered to be unavailable to the U.S. and Allies, during the war period.

"*Case Y.* Case Y is the same as Case X, except that Indonesia–British Borneo supplies to be retained by the United States and Allies.

"*Case Z.* Case Z is the same as Case Y, except that in the Middle East, the countries of Bahrein, Qatar and Saudi Arabia will not be lost." (S/P–NSC Files, Lot 61 D 167)]

[14] In NSC 97/1, November 27, 1951, this passage reads as follows:

"*a.* Substantial shortages of crude oil, refining and transportation capacity will occur during the first six months of a major war primarily as a result of:" (S/P–NSC Files, Lot 61 D 167)

[15] In NSC 97/1, November 27, 1951, this paragraph originally stated:

"*b.* It will be impossible for the petroleum industry to fuel an all-out war during the first six months unless these shortages can be substantially reduced by holding all or a substantial part of the major foreign oil-producing areas; or by drastic rationing at the outset of the war, by stockpiling, by producing crude oil above MER (maximum efficient rate of production), by reducing losses from sabotage and enemy action, and by immediately initiating a substantial refinery construction program." (S/P–NSC Files, Lot 61 D 167)

hostilities commence, civilian demand is estimated to be held down to rationed amounts.) Therefore, until hostilities begin, production, refining capacity and so forth, must expand five per cent each year merely to keep even with ordinary requirements. To achieve some excess capacity as a cushion for meeting military demands on a full mobilization basis, expansion must outrun the increase in civilian demand. Industry obviously cannot afford to build very much capacity that will be surplus for long. Neither can Government on a limited mobilization basis afford to build and "mothball" extensive refining capacity and its attendant facilities. Even if it could, there would be a time lag of weeks or months to cover assembling a crew, putting equipment into operating condition and so on, before production would be available. Storage of petroleum products in advance of sudden need is feasible only to a limited extent. Most products deteriorate, and the cost of building storage facilities and carrying large inventories is high. Of necessity, then, petroleum products for war use must largely come from civilian rationing.

5. The PAD Report had to be based on certain assumptions. The Department of Defense supplied a list of its requirements for various petroleum products as of different dates, assuming hostilities would begin July 1, 1952. The Department of Defense also supplied factors for loss of facilities through sabotage, enemy action, tanker sinkings, etc., which varied with the progress of the war. PAD made a series of estimates of what would have to be done in production, refining and transportation to attempt to meet the requirements as set by the military services and essential civilian needs. The PAD Report assumed that adequate steel and manpower would be available and highest priorities would be given. It is apparent from a study of this report that even if unlimited steel were available now and the PAD program initiated immediately, the rate of production called for after the first six months period under the military assumptions could not possibly be met by January 1, 1953, or for a year or more thereafter, as there are limiting factors of feasibilities in the making of equipment, engineering, construction crews, possible component shortages, etc. The severest draft on supplies is made in the first six months after July 1, 1952 and could not be met by a far wider margin (the figures would run as high as 1,300,000 barrels of crude a day short and a deficiency of 1,750,000 barrels of refining capacity, assuming the loss of the Middle East and the Far East—the worst assumptions of the PAD Report). It is the magnitude of this sudden first six month's hump in requirements that it would be almost impossible to meet in full. The hump is caused by very heavy loss assumptions by the military services to cover sabotage enemy action, tanker sinkings, etc. In addition to this, military estimates call for enough material to fill the supply lines as well as for current consumption. Even granted that

549-782—79——63

the material could be supplied in the quantities requested, there is grave doubt that it could be transported and landed in storage facilities near the scene of action as promptly and at the rate the first six months' figures indicate. However, a number of steps can be taken to reduce this first six month's deficit.

6. The Senior NSC Staff and the departments and agencies concerned have considered the steps recommended in the PAD Report to improve the petroleum situation. As a result:

*a.* Action has already been taken or is under way by the responsible departments or agencies on a number of problems.

*b.* Other problems are being subjected to further study before additional action is taken or recommended.

*c.* With respect to still other problems, it appears desirable at this time to recommend certain interim measures for early implementation pending further study from which more definitive recommendations could be expected to develop.

*Section 2: Action Under Way or Under Study*

7. Actions already taken or under way include the following:

*a.* The Office of Defense Mobilization has prepared a civilian oil rationing program and has initiated some of the preparatory steps that would enable the program to be placed in effect at the earliest practicable moment in the event of an emergency.

*b.* The Department of State is taking steps to establish an oil planning group in NATO which will study the essential civilian requirements of NATO countries as a basis for allocations and rationing in case the need arises. The Department of State is also planning on a selective basis, direct approaches to certain Latin American countries for the same purpose.[16]

*c.* In the design of military equipment and in military plans for expanding petroleum-consuming equipment, the Department of Defense on a continuing basis is giving consideration to the availability of specific petroleum products.

*d.* In order to meet wartime requirements, changes in the proportions of products refined from a barrel of crude oil would have to be made promptly. The yield of residual fuel (the lowest-priced major product) would increase substantially at the expense of gasoline (the highest-priced major product) and middle distillates. Unless the prices of petroleum products are promptly adjusted to reflect this change in yields the refiners would not be able without financial loss to alter their yields to produce the desired wartime requirements. To assure that petroleum products are available in the quantities desired the Office of Price Stabilization will make a preliminary study covering price adjustments that might have to be made for petroleum products. The Petroleum Administration for Defense will supply the Office of

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[16] In NSC 97/1, November 27, 1951, this paragraph states:

"*b.* The Department of State is taking steps to secure standby oil rationing plans in other countries, including the proposed establishment of an oil planning group in NATO, and direct approaches to certain Latin American countries." (S/P–NSC Files, Lot 61 D 167)

Price Stabilization with basic data now being prepared on the probable changes in refinery yields during wartime.

8. Problems being subjected to further study before additional action is taken or recommended include:

*a.* The Senior NSC Staff is preparing a report on the Eastern Mediterranean and Middle East in connection with which it is weighing the possibilities of holding the Middle East area in the light of all relevant factors, including the importance of Middle East oil.[17] The PAD report indicates that a major factor in determining the allied petroleum position in the event of war is whether it is feasible to assure the continued availability of oil from Saudi Arabia, Bahrein, Qatar, and Indonesia.[18] In this connection, the Department of Defense is studying the cost of the military effort in terms of feasibility, time and material, and the forces required, to ensure the continued availability of oil from the Saudi Arabia–Bahrein–Qatar area, and the Office of Defense Mobilization is studying the economic cost in terms of feasibility, time and material required to offset the loss of oil from that area.

*b.* The Department of State and the Central Intelligence Agency are studying measures that could be taken to counter and reduce the sabotage of oil installations abroad. As part of a wider study concerned with the establishment of effective security programs in critical U.S. industries, the Industry Evaluation Board and the Facilities Protection Board are studying measures that could be taken to counter and reduce sabotage in the petroleum industry in the United States.

*c.* The Department of the Army has been charged with preparing plans for the rehabilitation and operation of certain Middle East petroleum facilities during military occupation. These plans are being worked out in close cooperation with interested U.S. oil companies and provide for Army logistical support for teams of oil company technicians engaged in such projects. Such plans do not apply to Iran and Iraq where the UK has primary interest. The Department of State is studying the possibilities of organizing and placing in a state of readiness in other important refining and producing centers abroad reconstruction teams designed to place oil facilities abroad which may sustain damage back in operation in the shortest possible time.

*d.* The Office of Defense Mobilization is studying the possibilities of diverting new refining construction from unsafe to safer areas. A preliminary report made to the Senior NSC Staff on this subject as it relates to Western Europe emphasizes the difficulties involved in such diversion. In the light of this preliminary report, further study of this problem appears desirable, including an analysis by the Department of State of the foreign political implications involved.

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[17] In 1952, the project under reference produced reports in the NSC 129 series, "U.S. Objectives and Policies With Respect to the Arab States and Israel." Documentation regarding that series will be treated in a subsequent volume of *Foreign Relations.*

[18] According to a memorandum for the National Security Council by Executive Secretary Lay, December 11, 1951, this sentence was added to paragraph 8*a* in the NSC Senior Staff meeting held that day (S/S–NSC Files, Lot 63 D 351, NSC 97 Series).

*Section 3: Possible Additional Interim Measures*

9. Problems on which interim recommendations may be made now for early implementation pending further study include:

*a.* The possibilities of reducing initial wartime lifting of oil and stockpiling oil (studied by the Department of Defense and the Office of Defense Mobilization).

*b.* Further expansion of crude oil production, refining capacity, storage space, oil transportation facilities, etc., including material and other assistance, especially an increase in the availability of steel and other critical materials for such expansion (studied by the Office of Defense Mobilization).

*c.* Placing the Elk Hills Naval Reserve in a state of readiness (studied by the Department of Defense).

*d.* Arranging for resumption of full-scale production and development in the tidelands oil fields.

Possible interim actions with respect to these matters are discussed in the following paragraphs.

10. It should first be noted, however, that the construction and drilling program that would be required to meet or come fairly close to satisfying the given military and essential civilian requirements would have to be a full mobilization program, and even with pressure and with all priority assistance possible, it could not meet the requirements on the dates used in the PAD Report. At present, governmental policy is one of limited mobilization. However, as petroleum is such an important item, both to military operations and to sustaining the civilian economy and productive ability during a war, there is justification for pushing the petroleum program further and faster than the partial mobilization basis on which it has been functioning. (This has been done in the case of aluminum, for instance.) The ODM, therefore, is working on a program that would not unduly upset the balance of the rest of the mobilization effort now underway, both civilian and military, and which would be based on the principle of as large a program as is compatible with the materials which could be allocated to it for a period of one and a half to two years, beginning July 1, 1952, and the principle that the petroleum industry would be willing to finance itself (except for a tanker problem to be mentioned later) with no aid from the Government except some accelerated tax amortization. All these actions would be steps toward what would have to be done in the event of full mobilization, and once the question of steel and material have been settled, could be put into operation as regards the earlier phases of financing, engineering, construction work, etc., between now and the time when the material would become available during the second half of 1952.

*Stockpiling and Storage*

11. Previously established military policy on Mobilization Reserve Stocks of petroleum products, requires that the three services estab-

lish and maintain on hand quantities of reserve stocks of petroleum products located in accordance with emergency war plans and adequate for 75 days consumption at wartime rates. These are in addition to peacetime operating and safety level stocks. The establishment of 75 days requirements as the quantity of petroleum stocks to be stored was the result of evaluation by the Munitions Board Joint Petroleum Committee, assisted by industry, of the degree of industry's inability to deliver greatly increased quantities of military specification products during the early period of an emergency.

12. Mobilization Reserve Stocks are not considered adequate for the support of all active forces, however, until they are actually at such locations that their timely delivery to the military forces is within delivery capabilities. While emergency war plans permit a certain amount of overseas storage, it is a practical impossibility to establish stocks adequate to match all of the probable intentions of a probable enemy. This introduces the factor of delivery capability considered in the light of probable enemy action. The Munitions Board Joint Petroleum Committee and the Petroleum Administration for Defense have the joint responsibility for the development of the probable phased production and deliveries of petroleum products during the early days of a war emergency. Up to the present time adequate intelligence on which to base assessments of probable enemy damage to our industrial plants and to our transportation system has not been available, and delivery schedules based on realistic war conditions have not been developed.

13. Current military policy with respect to Mobilization Reserve Stock and the steps being taken to implement it, despite some deficits, are considered to be realistic and practical. However, in connection with this problem it has been proposed that additional storage capacity be constructed beyond presently available and programmed tankage requirements, as one means of attempting to mitigate the difficulty of meeting the extremely high first six months requirements of total mobilization. The PAD Report suggested 25 million barrels additional storage for industry and 20 million barrels for the military.

14. Two problems are involved: getting the storage built and getting it filled under the present rather tight balance between supply and demand. As regards the oil industry, part of the storage should not be filled. When D-Day comes, and early civilian rationing starts, it should take effect first along the Atlantic Coast on the assumption that the military requirements would be shipped from Atlantic or Gulf ports. Nothing would be gained by starting rationing in District 2 (Middle West) on the same date unless the products saved by the rationing could be immediately moved to the East Coast to fill in the gap left by military liftings. This shift cannot be made overnight. It involves trading changes in imports going into District 2 from other

Districts, converting crude lines or gas lines to product lines, changing barge movements, changing refinery runs, etc. To do this, without having to cut back refinery production requires tankage. The oil industry, if steel were available, might with some tax amortization assistance, build 80,000,000 barrels of tankage, to take care of new refinery construction and ordinary run of business. The present rate of tank building is about half of this. This need should be filled before building the additional 45,000,000 barrels recommended for cushioning the first six months' needs.

15. The military services have never had sufficient storage of their own to meet their requirements, and have therefore leased tank space in oil company terminals. If it were necessary in the future for the military services to lease additional tankage, a serious situation would be created, since available industry tankage has been insufficient to meet industry requirements recently. Not all products could be stored successfully for a long time because of deterioration. Navy Special Fuel and Avgas (Avgas may be stored with reasonable safety for up to two years) however, could be stored with very little deterioration, and are the two products for which the demand immediately increases on D-Day. The transportation problem would be simpler if the refineries along the Coast could supply all the Navy Special and Avgas requirements. They have not the capacity, however, and inland and Caribbean refineries will have to make up the deficit. This poses a difficult transportation problem. In World War II, Navy Special and Avgas were moved from the interior in tank cars, an expensive method, requiring time to organize and bringing up questions as to how the supply of tank cars should be proportioned between Navy Special, aviation gas and other urgent requirements. The Congress has just authorized another $750 million for stockpile purposes.[19] Whether building tankage and stocking Navy Special and Avgas could be considered a stockpile item over and beyond present approved military stock levels should be investigated. In any event, it would seem that building additional tankage and stocking it with Navy Special and Avgas would be a proper expenditure to be made by the Defense Department or the stockpile, when steel for this could be made available without holding back more important phases of the petroleum program.

*Production*

16. As the crude availability figures forecast by PAD are based on historical experience of drilling results over reasonably long periods, if the earlier years of the drilling program were below average, then the shortage of crude might be quite serious. Refineries, pipelines and tankers can be built within fairly definite time limits. This is not the case in expanding crude production where it may take from 3 to 5

[19] Public Law 253 enacted November 1, 1951; 65 Stat. 736.

years to drill up a new field. Enough steel, therefore, should be allowed for an expanded drilling program to be prosecuted now, so as to provide for lead time of production and possible variations from the averages as forecast. This would mean that eventually a reasonable amount of "shut in" potential production would be accumulated as a cushion.

*Refining*

17. The present approved refinery construction program calls for building domestic refineries at the rate of one million barrels in three years. This amount of construction would barely keep up with the increase expected in civilian requirements, let alone providing some extra capacity for expansion to meet full mobilization requirements. To the extent steel can be made available without seriously dislocating more essential defense and approved civilian programs, a schedule of refinery construction, up to the capacity which the industry is willing to build of its own accord, should be approved, to be phased in as the construction now under way in the present program nears completion. It is hoped that reasonable amounts of steel could be made available for such a program beginning early in the third quarter of next year. The time between the certification of such a program and the time when steel in quantities could be obtained would be required for financing, engineering, placing of orders, foundation work, etc. The refineries built by the industry under this program would undoubtedly be regular, all-purpose refining units, capable of producing the usual peacetime line of products but not especially designed for turning out increased quantities of Navy Special Fuel and Avgas, for instance, as contemplated in part of the refinery construction program envisaged in the PAD Report. To this extent, they might not all be ideally suited to meeting military full-mobilization requirements. However, they would be able to fill a great many of them and contribute likewise to keeping the civilian economy on wheels. The industry would build the refineries with its own funds, with nothing more than some tax amortization assistance and the assurance of the necessary steel, etc. The capacity so built would probably be somewhat in excess of the actual capacity needed to meet the foreseen increase in peacetime requirements. Apparently, the industry is willing to build ahead somewhat on their own financing. Over a period of a few years, the refineries so built would almost certainly find a place in the economy, even if all threat of war were removed, for the civilian demand in the U.S. alone has been increasing at over 5 per cent per annum. It, therefore, requires increasing the industry's capacity in production, refining transportation and marketing by 10 per cent or more every two years just to stay even with civilian demand. Any other program providing more than a reasonable cushion above rising demands would probably require

Government financial aid, particularly for special refining units adapted principally to making Navy Special Fuel and Avgas.

*Transportation*

18. The Petroleum Administration for Defense has also studied the petroleum transportation situation. Under the assumptions given for sinkings, convoy delays, etc., it appears that the world tanker fleet would have to be increased 50 per cent in carrying capacity to meet the requirements set forth. It is true that not all of this would have to be in tankers, because some vessels in the coastal trade could be replaced by product pipelines. Further study of this problem is under way by PAD transportation experts. However, it is certain that a large number of tankers would be required even if the number was diminished in part by the building of pipelines, in part by changes in convoy practices, and in part by changed estimates of sinkings. It is understood that the tanker type best suited to meet war conditions would be a 20,000 ton vessel capable of 20 knots and carrying in the neighborhood of 170,000 barrels (cubic measure) of products. Such a ship could run with little or no convoy assistance. While industry might be encouraged to build a few of these fast ships, if a portion of the cost was borne in some way by the Government, the type of tanker industry apparently favor for long hauls now is 30,000 ton vessel cruising at 16½ to 17½ knots. If enough of these were built, they could perhaps be handled in a fast convoy group of their own. A study of the tanker situation including convoy routes and practices should be undertaken by the Maritime Administration, with the assistance of PAD, the Navy, and the oil industry. This study should include an investigation of large ship construction facilities in the U.S. and abroad.

19. In the oil industry today the tanker is in port either for loading or discharging considerably less than 24 hours. The figures for port time under convoy conditions assumed in the PAD Report run from a week to 9 days for port time loading and discharging. Presumably, this delay occurs because of vessels arriving in convoy having to take their turns at loading or discharging, waiting for the convoy to assemble and so forth. However, some time could be saved if all loading and receiving terminals, both here and abroad, were equipped with large enough dock lines, manifolds and tank vents to permit loading or unloading tankers at modern industrial rates. The military services should see that this is done, insofar as possible, at all their installations and those which they may have under their jurisdiction here and abroad. PAD could use its best offices to see that industry is urged to do the same.

20. From the above, it is quite evident that the transportation division of a balanced petroleum plan has many complications. In fact, it probably cannot and should not be kept in balance with production and refining. To do this might call for the building of some

very costly pipelines in such locations that they would have little economic value in peace time, and building a fleet of several hundred tankers which again would not be needed under conditions of peace. The demand for petroleum, on the other hand, would catch up with any reasonable amount of increase in production and refinery capacity presently under consideration.

*Elk Hills*

21. Present plans for putting the Elk Hills Naval Reserve into full production are predicated on having at least six months in which to make necessary preparations, including obtaining personnel and facilities. In order to place Elk Hills in a state of instant readiness so that it can be producing at capacity at the start of a war, it will be necessary to take the following steps:

*a.* Double the rate of drilling new wells.

*b.* Expand pipeline, storage and other commercial facilities in the area.

*c.* Construct housing facilities for the naval personnel required.

*d.* Maintain identification of qualified personnel who are subject to military orders on D-day for assignment to Elk Hills.

*e.* Effect legislation modifying present law (1) to allow production from the Elk Hills field by immediate administrative action without a joint resolution of Congress and (2) allow disposal of the products of the field by allocation and negotiation upon the start of a war in lieu of the complex process now required.

22. Doubling the present drilling rate will require earlier availability of, but no additional steel. However, to continue the drilling program toward the maximum requires consideration of the impact in dollar and steel cost. In considering the construction of housing and messing facilities, and changing present mobilization plans regarding personnel for Elk Hills, it would be pointless to add to an already complex over-all mobilization plan without carrying out the construction to justify it. While present plans are based on a six month period of preparation for production, it is believed that a lesser time in the order of four months can be realized in the face of an urgent situation, by present mobilization plans and the provision of temporary housing or shelter, and the elimination of delaying legal processes. Hence the most practicable course at the present time appears to be to double the drilling rate, expand oil facilities in the area and modify existing law.

*The Tidelands Oil Fields*

23. A program of full-scale production and development in the tidelands oil fields of California, Louisiana and Texas would make a substantial contribution toward relieving the petroleum shortage. At present, however, full-scale operations are prevented by the uncertainties stemming from the legal position of the tidelands areas. As a result of Supreme Court decisions in 1947 (California) and 1950,

(Louisiana and Texas) action by the Congress is required for definitive settlement of the question of ownership of the oil resources in the tidelands fields.[20] Pending such settlement, the drilling operations under way at the time of the Court decisions are being continued on a temporary basis, a situation which does not encourage full production from existing wells and which effectively prevents exploration, development or new operations. In the light of the over-all petroleum situation it is in the interests of national security to establish some type of arrangement which would permit the resumption of full-scale production and development in the tidelands oil areas pending final disposition of the tidelands problem by the Congress.

*Other Preparatory Steps*

24. The effectiveness of the Petroleum Administration for Defense as now set up should be augmented by more aid and advice from the grass roots of the industry through organizations needed by PAD to solve problems arising currently in local areas. It is urged that a workable agreement between the Justice and Interior Departments be reached in the near future in order to accomplish this objective. While additional assistance of this character would be helpful to the Petroleum Administration for Defense under limited mobilization, under full mobilization it would be absolutely essential.[21]

25. The above highlights the steps which could be taken in the immediate future. The full extent of the program will not be known until there has been time to review steel requirements and balance the need of petroleum expansion against other present needs, both military and civilian and to ascertain how far industry will go unaided by Government. After this has been done, PAD should be in a position to make a revised estimate for the military of the petroleum products which would be available at given dates in the next two and one-half years on the basis of this program being followed. A continuing study

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[20] *United States v. California*, 332 US 19; *United States v. Louisiana*, 339 US 699. REH. DEN. 340 US 856; *United States v. Texas*, 339 US 707, REH. DEN. 340 US 848, and see also 340 US 900.

[21] In NSC 97/1, November 27, 1951, this paragraph reads as follows:

"24. The effectiveness of the Petroleum Administration for Defense as now set up should be augmented by more aid and advice from the grass roots of the industry. Such help can come from establishing an organization identical or similar in character to that found very effective in World War II. This would mean providing counterparts to the functional District Committees of the former Petroleum Administration for War to supply the present Petroleum Administration for Defense in Washington information and assistance in solving oil problems arising currently in various geographic areas. It is understood that the Department of the Interior has favored such a move, but that the Anti-Trust Division of the Justice Department—although this same program was successful during World War II—may have some objections. It is urged that a workable agreement between the Justice and Interior Departments be come to in the near future, for while this additional aid to the Petroleum Administration for Defense would be helpful under limited mobilization, under full mobilization it would be absolutely essential." (S/P–NSC Files, Lot 61 D 167)

of the petroleum situation should be made by PAD in conjunction with the military, and changes made as and when conditions warrant.

26. In summary, the petroleum program as now established barely meets expected increases in peacetime demand and cannot support the war demands contemplated in the PAD report. Certain recommendations and proposed actions noted above will alleviate the situation to some extent. However, if conditions alter to the extent of changing from a policy of limited mobilization to a more advanced state, by disregarding the disruptive effect upon the civilian economy, further measures could be taken to increase the petroleum supply.

### INTERIM RECOMMENDATIONS

27. In view of the importance of petroleum to national security the current petroleum program should be expanded and accelerated beyond the limits presently imposed on the mobilization program as a whole by the principle of partial mobilization. The program should not unduly upset the balance of the rest of the current mobilization effort, but should be as large as is compatible with the materials that could be allocated to it for a two-year period beginning in mid-1952. Preparatory action should begin immediately.

28. The national security interest requires the resumption of full-scale production and development in the tidelands oil fields, if necessary under temporary arrangements pending final action by the Congress.

29. Sufficient steel should be allocated for an expanded program of petroleum drilling to be prosecuted as rapidly as availabilities permit.

30. To the extent steel can be made available without seriously dislocating more essential defense and civilian programs, a schedule of refinery construction, up to the capacity which the industry is willing to build of its own accord, should be approved, to be phased in as the construction now under way in the present program nears completion.

31. When steel can be made available, the oil industry should be encouraged to double the present rate of construction of industrial tank storage capacity. When steel can be available without retarding more important phases of the petroleum program, additional military tank storage capacity should be constructed and stocked by the use of stockpile or military funds.

32. Petroleum port facilities under military control here and abroad should in so far as possible be provided with equipment which would permit loading and unloading of tankers at modern industrial rates. Industry should be encouraged to provide similar equipment for industrial port facilities. Immediate consideration should be given to providing government assistance to industry in the construction of a limited number of fast tankers and to encouraging industry to build a larger number of intermediate-speed tankers.

33. In order to increase the readiness of the Elk Hills Naval Reserve:

*a.* The presently planned drilling program should be continued at double rate.

*b.* Gathering lines and tanks for the new wells should be provided.

*c.* The development of commercial facilities in the area to assure use of the products of the field should be encouraged and supported.

*d.* Recommendations to Congress should be initiated to simplify the legal action required for putting the field into production.

34. In order to receive assistance and advice from the industry, a workable agreement between the Departments of Justice and Interior should be attained in the near future concerning any problems which are involved.[22]

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[22] In NSC 97/1, November 27, 1951, this paragraph reads as follows:

"34. With respect to the establishment of industry committees, a workable agreement between the Departments of Justice and Interior should be attained in the near future." (S/P–NSC Files, Lot 61 D 167)

# UNITED STATES POLICY ON TRADE WITH EASTERN EUROPE AND THE SOVIET UNION; EFFORTS TO ACHIEVE AN INTERNATIONAL SECURITY EXPORT POLICY [1]

460.509/1-551 : Telegram

*The Ambassador in France (Bruce) to the Secretary of State*

SECRET

PARIS, January 5, 1951—9 p. m.

3840. Excon. As promised paragraph 4 Embtel 3761 to Department January 3, repeated Stockholm 51, London 920, Bern 62,[2] following are our views paragraphs 5, 6, Deptel 3478, December 29 repeated Stockholm 483, Bern 833, London 3194.[3]

1. As mentioned reftel we think it imperative distinguish (*a*) action US may take on its behalf alone vis-à-vis Switzerland and Sweden from (*b*) that taken on behalf members CG/COCOM.

2. As to action by US alone in its own behalf, we believe this must rest on Department's revaluation of matter in light views Stockholm and Bern, NSC decisions, Cannon amendment, etc.[4] As neither Sweden nor Switzerland are members CG/COCOM and we are not familiar with detailed situations in these countries, we are in no position to make any positive recommendations for unilateral US action on points (*a*) and (*b*) paragraph 5 reftel.

3. To any multilateral action re points (*a*) and (*b*), paragraph 5 reftel, following are our views.

Point (*a*): Problems involved are set out last paragraph COCOM Doc 176 and we believe Stockholm and Bern is in best position provide answer, for besides being familiar with local situation, they have discussed Excon problems with Swedes and Swiss over long period of time and can best assess what acceptable international controls Sweden and Switzerland likely agree to.

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[1] Continued from *Foreign Relations*, 1950, vol. IV, pp. 65 ff. For documentation concerning United States policy with regard to restriction of trade with North Korea and Mainland China and the injunction of United Nations economic sanctions against North Korea and the People's Republic of China, see volume VII. For documentation concerning security controls over the export of atomic materials, see pp. 1 ff.

[2] Not printed; paragraph 4 stated that the Embassy in Paris would give its reaction to telegram 3478 to Paris, December 29, when British and French views regarding a tripartite approach to Sweden and Switzerland were known. (460.509/1-351)

[3] *Foreign Relations*, 1950, vol. IV, p. 256.

[4] For documentation concerning the Cannon Amendment and NSC 91 and 94, see *ibid.*, pp. 65 ff.

Point (*b*): We assume this point refers to multilateral steps that would cause Sweden and Switzerland give adequate assurances and take adequate Excon actions. This being true we think Stockholm and Bern are in best position to provide answers for same reasons given with respect point (*a*).

4. In present predicament US COCOM Del is not only not in position to coordinate US, UK action to be taken through Embassy Stockholm and Legation Bern as suggested paragraph 6 reftel (Department makes no mention French action) but to even untangle situation that has arisen in COCOM where there is pending a subcommittee recommendation for selected items (Embtel 3549, December 21, repeated Bern 57, Stockholm 43, London 866 [5]) and CG decision that French are to act on behalf PC's (COCOM Doc 218 B paragraph 7).

5. Therefore recommend: (*a*) Stockholm and Bern advise (1) if in their opinion meeting of US Excon officers advisable (we have Stockholm's general concurrence such a meeting, Stockholm's 736 to Department December 24 repeated Paris 138, Bern Unnumbered, London 149 [6]), (2) whether French and UK representatives from Stockholm and Bern should attend, (3) when and (4) where it should be held. Meetings re Switzerland and Sweden need not necessarily to be held at same time. (*b*) Such meeting discuss points (*a*) and (*b*), paragraph 5 reftel, and any other matters relevant to obtaining Swiss and Swedish international Excon cooperation including how extricate multilateral approach from present quagmire. (*c*) If Stockholm and Bern favor meeting US COCOM Del can then discuss matter with British and French.

Sent Department 3840, repeated info Bern 65, Stockholm 54, London 945.

BRUCE

[5] Not printed; it summarized conversations between the French delegate to COCOM and representatives from Sweden and Switzerland concerning transit and re-export controls and the related subcommittee recommendations on selected items for export control. (460.509/12-2150)

[6] Not printed.

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460.509/1-1051 : Telegram

*The Ambassador in Sweden (Butterworth) to the Secretary of State*

SECRET STOCKHOLM, January 10, 1951—7 p. m.

807. Excon. Re Deptel 3478 December 29 to Paris, repeated Stockholm 483, Bern 833, London 3194; [1] Paris telegram 3840 to Department January 5, repeated Stockholm 54, Bern 65, London 945.[2]

[1] *Foreign Relations*, 1950, vol. IV, p. 256.

[2] *Supra*.

I assume that main purpose of CG meeting of January 16 [3] will be to determine extent to which PC's will have agreed to go along with tri proposals. If that response proves to be generally satisfactory, I suggest that the CG should decide at its January 16 meeting to use the Paris mechanism as a means of making the extent of that agreement available immediately to the Swedish and Swiss representatives in Paris requesting their parallel action. The extent of agreement on January 16 will undoubtedly leave the disposition of certain items unresolved but would expect that the list will always be subject to re-examination. This Embassy has noted with satisfaction COCOM documents 226–8 indicating concurrence with tri list by Norway, Canada, Germany plus Italian concurrence "in principle" which we trust in practice will include bearings. Therefore, unless the reactions of the PC's have been disappointing, I favor making the results known immediately to Swedes and Swiss.

I am aware that US delegation at Paris has frequently indicated that it does not expect the Swedes or Swiss to make progress beyond that of the PC's. I feel, however, that this thought should be repeated at this time as it is essential that the over-all Swedish response be to a revised agreed international list which would include tri proposals to the extent of PC agreement rather than to a combination of agreed international lists and tri proposals. As the Department is aware, I urged submission of the tri proposals to Swedes even though it had to occur before the PC's had indicated the extent of their agreement. This recommendation was merely based on the urgent desirability of informing the Swedes fully of the tri proposals and views before their current Czech and future Soviet negotiations. I do not, however, believe that the Swedish reaction can be expected to be illuminating if it is to be based upon two sets of lists based upon different degrees of acceptance.

Assuming satisfactory position by PC's and agreement to turn such information over to Swedes and Swiss immediately after January 16, I concur on the desirability of proceeding forthwith to an examination of points (*a*) and (*b*) of paragraph 5 of reference Deptel.

The instructions from the British and French Foreign Offices concerning the presentation of the tri lists has seemed to emphasize to those Embassies here the significance of the tri proposals and also the desirability of continued closest collaboration with the Embassy on the general problem. As those Embassies are at a rather preliminary stage of analysis and as we welcome informal criticism of our own reports and analyses, we have begun discussions with the British and French in Stockholm in an attempt to obtain the maximum amount of clarification on the extent of Swedish strategic exports to Eastern Europe. I believe these discussions should help to prepare the British

[3] See the editorial note, p. 1012.

and French for considering points (*a*) and (*b*) paragraph 5 of Deptel but this Embassy does not plan to extend the discussions to cover such questions, unless it is so instructed. Department and US delegation COCOM are in better position than this Embassy to make recommendations on whether the British and French should participate at the Excon meeting and also on the place and timing of the meeting. My only view on timing is that it should be after the Paris group has advised the Swedes of the extent of PC agreement on the tri lists. I do recommend, however, that the discussions on the Swedish and Swiss problems should not occur simultaneously.

I assume by now that there is general agreement that the Swedes will not be told that a shortened list will be submitted by the Paris group for their consideration. The French Embassy in Stockholm is in complete concurrence with the British and American Embassies as to the inadvisability of this tactic. We all agree that we should wait for the Swedes to move, especially after they have had the benefit of full information on the extent of the PC agreement on tri proposals.

The Embassy has previously reported on the subject of transit trade and re-exports that Sweden has provided, what this Embassy considers are adequate, assurances in 1A and 1B items from the US and that the Swedish control machinery could be extended to cover international list items from all PC's. Embassy believes that this should be a minimum position on transit trade and one which Swedes will probably be willing to accept.

Sent Department 807, repeated Paris 152, Bern unnumbered, London 160.

BUTTERWORTH

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740.5/1-1051 : Telegram

*The United States Deputy Representative on the North Atlantic Council (Spofford) to the Secretary of State*

SECRET LONDON, January 10, 1951—9 p. m.

Depto 400. Following is fuller report of discussion on use of export controls to insure adequate supplies for NATO military production (D–D) 51 (3)[1] at January 10 meeting of deputies.

(*a*) UK deputy[2] explained background of document including references to both NY NAT Council discussion (C 5 D/4 final)[3] and September tripartite NY agreement on export controls.[4] He drew dis-

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[1] The revised text of this NATO document was transmitted to the Department of State in telegram Depto 406 from London, January 13, *infra*.

[2] Sir Frederick Hoyer-Millar.

[3] NATO document C 5–D/4 Final is not printed, but see telegram 1498 to Paris, September 23, 1950, printed in *Foreign Relations*, 1950, vol. IV, p. 194.

[4] For the text of this agreement, see the agreed minute of the Foreign Ministers Meeting of September 19, 1950, *ibid.*, p. 187.

tinction between criteria of strategic importance to Soviet bloc and requirements for NAT defense, assuring deputies that D(51)3 does not affect action or mechanisms under strategic criteria, but supplements them. UK deputy explained, somewhat apologetically, that D(51)3 more harmless than might appear and intended protect supplies of few minor items not otherwise subject export controls, such as sulphuric acid, tin plate, sheet steel, rosin, bristles, pyrethrum and electric motors, but not likely involve "major commodities". He also pointed out proposed resolution uses two existing NAT bodies rather than creating new mechanism, provides for governments have several opportunities take positions prior time deputies finally make recommendations on embargo and that resulting NAT action constitutes only recommendations to Governments.

(*b*) Danish deputy [5] strongly supported by Netherlands deputy,[6] stated he had not received final position from his Government, but that they are seriously concerned over possibility being committed to embargo that might result in counter-embargo from Soviet bloc of such items as coal on which Danish economy greatly dependent. Both deputies insisted paper went too far in specifying any particular measure that might be taken and asked that for present deputies agree only to ask for study to determine items in short supply that might require steps to prevent shipment to Soviet bloc. Definition of such measures would follow later. Netherlands deputy, in effort avoid use of word "embargo" pointed out that other devices such as preclusive buying might obviate need to employ embargo.

(*c*) UK deputy attempted reassure Denmark and Netherlands deputies by repeating that document called only for recommendations and that no attempt would be made force a country to embargo a minor item with resulting loss of major imports. Both US and French deputies [7] supported acceptance papers. US deputy made point all agreed to necessity getting on with defense program and assuring adequate supplies therefor, that resolution was logical step toward this objective and merely put existing machinery in use to obtain recommendations for deputies to consider. He observed that procedure provided several stages at any of which country governments could make known their ideas and reiterated result would constitute only recommendations with no commitment at this time to impose embargoes. He pointed out only principle involved is agreement embargo is appropriate device to use if items are found to be in short supply and there is risk of their flowing to Soviet bloc.

(*d*) Netherlands and Denmark deputies insisted on their position with result that deputies agreed to revision by UK of resolution

[5] Vincens de Steensen-Leth.
[6] Jonkheer A. W. L. Tjarda van Starkenborgh Stachouwer.
[7] Hervé Alphand.

providing for DPB and advisory group to investigate problem, make lists of items in short supply and recommend appropriate steps to prevent leakage to Soviet bloc. New draft resolution will probably ask for "recommendations of appropriate measures" without specifically mentioning embargoes. UK deputy stated he would not revise introductory memorandum and although memo contains specific mention of embargo, there was no objection from other deputies. New draft to be circulated shortly and considered by deputies at first meeting thereafter.

(*e*) Belgian deputy [8] raised question whether DPB and advisory group are, in fact, "most appropriate bodies to undertake the task" and there followed some discussion of possibility using COCOM or COCOM data. French deputy (who is also chairman consultative group in Paris) explained that basic strategic criterion used and data at COCOM's disposal do not relate directly to criterion of defense requirements and NAT short supply. Question disposed of by UK deputy statement that redraft would merely ask DPB and advisory group undertake investigation, making it possible to use other bodies if, at later date, this seemed appropriate.

Sent Department Depto 400, repeated information Paris 1296 for Embassy and OSR; Copenhagen, The Hague unnumbered.

[SPOFFORD]

[8] André De Staercke.

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740.5/1-1351 : Telegram

*The United States Deputy Representative on the North Atlantic Council (Spofford) to the Secretary of State*

SECRET

LONDON, January 13, 1951—3 p. m.

Depto 406. 1. Re Depto 400, January 10, repeated Paris 1296, pouched Copenhagen and The Hague.[1]

UK circulated January 12 (probably for deputies agenda January 17) following revised D(51)3 which US representatives saw just before release, but had no opportunity make changes on:

"The North Atlantic Council Deputies: noting the concern expressed by the North Atlantic Council (C5D/4) at the effect which shortages of primary commodities might have on the abilities of the NAT nations to carry out their rearmament programmes, and recognizing that the supply of other necessary materials, equipment and components, is of equal importance in this respect, and that every effort must be made to maximize the quantities of all such items available for the common defence effort;

"Conclude: that, in addition to those supplies, the export of which to the Soviet bloc may be prohibited or controlled as a result of the

[1] *Supra.*

measures already under consideration for dealing with the supplies likely to be of importance to the war potential of the Soviet bloc, there may remain other goods in short supply, the export of which to the Soviet bloc it may in certain circumstances be desirable to prevent, either by embargo or other equally effective means, on account of their importance to the national defense effort;

"Invite the Defence Production Board and the Advisory Group on Raw Materials to examine the matter in consultation with the member governments and, where appropriate, the body engaged in the studies referred to in the preceding paragraph, in order to establish what critical shortages are, in fact, likely to arise in respect of the supplies under consideration; and thereafter to recommend what action can best be taken to prevent the export of such articles to the Soviet bloc;

"Agree: that they, the Deputies, will examine all such recommendations and forward such of them as meet with their approval to members governments with the request that the latter take the necessary steps to implement them." [2]

2. Comments on above are:

*a.* UK representatives recognize that words "may be prohibited or controlled" in second paragraph above redraft would be likely to deny to NATO, consideration of items under measures of control other than embargo. UK representatives stated they would attempt have words "or controlled" eliminated before draft circulated to Deputies, but if unable to do so would support US recommendation for deletion these words when Deputies consider document next week.

*b.* We consider that UK redraft is generally satisfactory except possibly for elimination of wording in original D(51)3 that specified separate areas of responsibility for DPB and advisory group. UK Deputy omitted this portion on grounds that DPB is separate body under Defense Committee and that Deputies should not attempt delineate DPB function. Believe satisfactory division of repsonsibility between DPB and advisory group can be worked out by the two groups without spelling out in Deputies resolution and without referral back to Deputies for further guidance.

*c.* We note that word "embargo" remains in revised resolution, but believe revision has good chance being accepted by Danish and Netherlands Deputies. We plan preparatory bilateral talks with each of these two Deputies before full Deputies take up revised resolution.

*d.* UK representatives stated that wording in third paragraph of revision "in consultation with the member governments" is intended to provide for requests to governments for statements of critical shortages. We intend draft language change along with paragraph (*f*) below so as make clear that no other meaning intended.

*e.* US Deputy will also suggest adding to last paragraph revised resolution the words "and keep the Council Deputies informed of the action taken."

*f.* The veiled reference in third paragraph revised resolution to COCOM, i.e., "the body engaged in studies referred to" could prob-

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[2] In telegram Todep 208 to London, January 15, the Department of State informed Spofford that this British revision was satisfactory subject to the changes suggested in paragraphs 2 (*a*) and (*d*) of the source text. (740.5/1–1351)

ably be better stated and we will attempt work out language change to propose in full Deputies.

3. In informal exploratory discussion with UK working level representatives January 12 concerning criteria, UK representatives indicated intention applying export controls for defense purposes to much broader range of items than did UK Deputy at January 10 meeting (paragraph *a* Depto 400), and to all non-NATO countries (conceivably NATO countries too) as well as Soviet bloc.

4. At same informal meeting at which Taylor,[3] Paris Excon officer was present, we discussed interchange embargo information with COCOM and agreed provision necessary information could be adequately handled through national representatives (UK seems agreeable handle this matter) without formal communication between Deputies and C General/COCOM.

Cleared SUSRep.[4]

Sent Department Depto 406, repeated info Paris 1316 for Embassy and OSR, Copenhagen unnumbered, The Hague unnumbered.

[SPOFFORD]

[3] Frank D. Taylor, economic officer in the Embassy in France.

[4] Senior U.S. Representative, North Atlantic Treaty Military Production Supply Board.

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S/S–NSC Files, Lot 63 D 351, NSC 102 Series [1]

*Memorandum by the Secretary of Commerce (Sawyer) to the National Security Council* [2]

SECRET

WASHINGTON, January 17, 1951.

NSC 102

Subject: Export Control Policy Toward the Soviet Bloc

At the request of several members of the Advisory Committee on Export Policy, I am submitting the following problem for NSC review:

*The Problem*

In what way should U.S. export control policy toward the Soviet Bloc be revised to ensure that, in the new situation brought about by

[1] Serial master file of National Security Council documents and correspondence and related Department of State memoranda for the years 1947–1961, as maintained by the Executive Secretariat of the Department of State.

[2] The source text, along with a cover sheet, a note by Acting Executive Secretary of the National Security Council S. Everett Gleason to the members of the Council, and a letter from Secretary of Commerce Charles Sawyer to the Council, were circulated as NSC 102 on January 19. Sawyer's letter explained that the recommendations contained in the source text were discussed by the Advisory Committee on Export Policy and that representatives of that committee requested that the problem be reviewed by the National Security Council before further action was taken. Gleason's note stated that NSC 102 would be considered at an "early meeting" of the Council without specifying a date.

Chinese aggression in Korea,[3] the Department of Commerce "exercises the necessary vigilance over exports from the standpoint of their significance to the national security" as required by the Export Control Act of 1949?

*Recommendation*

The Department of Commerce recommends that:

1. Validated export licenses should be required for the export of all commodities to Subgroup A destinations (Soviet Bloc).

2. U.S. export policy towards Subgroup A destinations (except China and Korea), including shipments from foreign sources intransit through the United States, should be as follows:

(*a*) The Department of Commerce should deny all Positive List items.

(*b*) The Office of International Trade should develop a Negative List of commodities, of little or no strategic significance, which may generally be approved where the quantities are not excessive.

(*c*) There should be a presumption for denial of all items not on the Positive List or the Negative List.

*Comparison of Recommended with Present Policy*

1. Validated export licenses are required at present for the export of all commodities to Communist China and Communist-occupied Korea, and all applications for licenses to these areas are being denied, but licenses are not now required for the export of non-Positive List items to the U.S.S.R. and its European satellites. Recommendation 1 would permit pre-shipment screening of all exports to the Soviet Bloc.

2. The Positive List is composed of 1A items, 1B items, short supply items, and a few items which have not yet been assigned a strategic classification. Existing program determinations require the denial of only the 1A items to the Soviet Bloc in Europe. As a matter of licensing practice no applications are now being approved for the export of any Positive List items to the Soviet Bloc. Recommendation 2(*a*) would confirm the *de facto* licensing practice on all Positive List items.

3. All non-Positive List commodities can now move freely to the Soviet Bloc, except China and North Korea. Such items are of varied strategic significance, ranging from negligible significance to a strategic importance just below that of the items included in Class 1B. Recommendation 2(*b*) would select out of this field of presently uncontrolled commodities a group at the bottom of the strategic scale. It would permit these items of little or no strategic significance to continue to move to the Soviet Bloc, other than China and North Korea, except where the quantities appear excessive.

4. The above provisions leave a residual group of commodities which would be brought under control when for export to the Soviet Bloc;

[3] Documentation concerning the Korean War is presented in volume VII.

that is, items which are not on the Positive List but which do have more than "little or no strategic value". Recommendation 2(*c*) would in practice result in the denial of almost all export license applications to the Soviet Bloc for items in this group.

5. In summary, the substantive changes in U.S. export policy reflected in the recommendations are that: (*a*) the export of all non-Positive List items to the U.S.S.R. and its European satellites would be brought under pre-shipment review; (*b*) items of little or no strategic significance woud continue to move to this area, except where quantities are excessive; (*c*) almost all other non-Positive List items would be denied to the area; and (*d*) the current practice of denying all Positive List items would be confirmed.

*Basis for Recommendation*

1. United States security export policy was based, until June 25, 1951, on the fundamental concept of avoiding substantial contribution to the war potential of the Soviet Bloc by a selective control of exports. The active military aggression, first by North Korea and next by China, has required U.S. export policy with respect to these areas to go beyond the mere avoidance of substantial contribution to war potential. In time of active hostility against U.S. forces, whether or not these forces are part of a larger frame of reference such as the U.N., great care must be exercised to prevent any export which in any way becomes useful to the armies which are taking American lives. In accord with this principle, all exports to North Korea were prohibited on June 28, and all licenses for export of all commodities have been denied to Communist China since shortly after the Chinese aggression in Korea. It is to be noted that this new principle is applicable regardless of its effects on U.S. imports of essential commodities from aggressor countries, for we cannot, in a period of active hostilities, rely on strength obtained from the nations which are responsible for such hostilities.

2. The prohibition of U.S. exports to Communist China insures that, in the case of direct exports to that country, no U.S. commodities are augmenting the aggressive forces presently engaged against us. There is and can be, however, no assurance that commodities exported to the U.S.S.R. and its European satellites will not be transshipped to Communist China or be used to produce goods to be used against us in Korea. To avoid this danger the U.S. should bring under control all exports to the U.S.S.R. and its European satellites, and prevent the export to these countries of all commodities except those which have little or no strategic significance.

3. The military aggression by the Chinese Communists in Korea and the attitude taken toward this act by the U.S.S.R. and her European satellites indicate the possibility that military action by the

European Soviet Bloc countries might not be as distant as had been thought. In these circumstances the U.S. should not continue to ship to these countries commodities which would contribute even in small degree to their military potential. The prevention of such shipments can be accomplished much more promptly and effectively by extending the coverage of control to all commodities than by attempting to add commodities selectively to the list of controlled items. The process of selective addition is necessarily time consuming and fails to keep current with the development of new products.

4. The recommendation that all Positive List items should be denied results in little substantive change in present practice, but it is useful for administrative reasons. Instructions to licensing officers, and the framework of the control machinery, can be simplified and made more efficient by this proposed change.

*Discussion*

1. The above recommendations were discussed by the Advisory Committee on Export Policy on January 10, 1951. The original proposals by the Office of International Trade for a tighter export control policy toward the Soviet Bloc were made on December 18, 1950. The Department of Commerce recommendations were supported in the January 10 meeting by the Departments of Interior and Agriculture, and by CIA, AEC and NPA. The Department of Defense concurred in the proposal but would go further. It favored denial of all shipments to the Far Eastern U.S.S.R. Maritime Provinces; and favored the denial, rather than presumption for denial, of items not on the Negative List or the Positive List. The Departments of State and Treasury, and the ECA did not concur and requested NSC review.

2. The Department of State position was based on the following:

(*a*) The Department of State considers the proposal to represent in effect an embargo on U.S. exports to the Soviet Bloc; and it believes that, though the program in actual operation might allow certain commodities to move, the action would be interpreted both in the United States and abroad as an embargo.

(*b*) The Department of State therefore believes that the proposals raise questions of foreign policy which require detailed and careful consideration of all political effects before any action should be taken. Moreover, the matter is of such moment that a review by the National Security Council is required.

(*c*) In this connection the State Department believes that no action should be taken until it has had an opportunity to complete the studies of economic relations with the Soviet Bloc which were requested of the Department of State in the President's letter of December 28.

(*d*) The State Department considers that present U.S. trade with the Soviet Bloc is of insignificant economic importance, while the political aspects of an embargo or a near embargo are of major significance. The State Department believes that, though the matter should be studied further before a final decision is made, the political

disadvantages of an embargo move by the United States appear at present to outweigh the political advantages.

(*e*) The political disadvantages of the recommendations, as seen by State, include the possibility of retaliation by the Soviet Bloc and injury to our relations with our Western Allies. The United States has told Western European countries, in negotiations on the export control problem, that it did not favor all-out economic warfare. An embargo would be interpreted in Western Europe to mean that the United States considers war inevitable, and that the United States will press for the adoption of Western European export control policies to the economic detriment of that area.

3. The ECA concurred in State's position that the recommendations were of such importance as to require NSC review, and ECA also was opposed to the recommendations themselves. The substantive opposition was based on a belief that export controls are at present adequately adjusted to the requirements of U.S.S.R.–U.S. relations, and that a selective approach to export control is more effective and meaningful than the blanket control of all commodities. ECA has also stated that a widening of U.S. embargo toward the Soviet Bloc would raise difficulties in the administration of Section 117(*d*) of the ECA legislation. It is feared that financial assistance would have to be denied for the export of many commodities from the United States to Western Europe, where the U.S. embargoes such commodities to the Soviet Bloc and the recipient Western European country does not.

4. The Department of the Treasury expressed no substantive opposition to the proposals but felt that an NSC review was required. Treasury stated that an extension of U.S. export controls toward the Soviet Bloc might, for the sake of consistency, require the imposition of a control of financial transactions between the U.S. and the Soviet Bloc.

5. Although it is possible that adoption of these proposals may evoke retaliatory measures by the Soviet Bloc against the U.S., such retaliation would not damage the U.S. materially. Both the U.S.S.R. and China already have taken measures of retaliation against the U.S. Further retaliatory action by these or other countries of the Soviet Bloc would not impair the U.S. economy. They might bring long run benefit, in fact, by giving a further stimulus to the development of alternative sources of supply.

6. It is by no means certain that the proposed change would, as claimed, have adverse effects on our relation with Western European Allies. Since the inception of the security export control policy, the United States has exercised stricter control than Western European countries. This principle has been recognized in recent international negotiations on the problem. Further, at the time of the invasion of South Korea, the United States embargo against exports to North Korea assisted in bringing about the application of stricter control by Western European countries over their export to Communist China.

These controls, as later evidence demonstrated, were vitally needed, and the example shows that leadership by the United States in this field has had results of positive value.

7. The State Department's characterization of the proposed policy as an embargo is inaccurate. The recommendations leave the door open for continued trade with U.S.S.R. and its European satellites. Total U.S. exports to Soviet Eastern Europe in the first six months of 1950 amounted to $18,900,000 of which $8,000,000 was raw cotton, which is now subject to control and would not be exported to that area. The remaining exports, at the rate of $21,800,000 a year were mainly in agricultural commodities (notably tobacco), miscellaneous industrial equipment, chemicals, and medicinals. Presumably the Negative List would include a number of the agricultural products, including tobacco, and medicinals, but would exclude the industrial equipment and most chemicals. To the extent that the present trade comprises items of little or no strategic significance, it would be continued. Strategic items which are included in the present trade should, however, be discontinued.

8. Our European Allies need not be disturbed by the U.S. action if the U.S. fully explains to them the reasons why the policy is considered to be sound for the U.S., that it is not a complete embargo, and that it is not based on the conclusion that war is inevitable.

9. The view that selective export control is still adequate is not tenable in light of the armed aggression of the Soviet Bloc. Selective controls alone would permit substantial assistance by U.S. industry to the forces engaged in active hostilities against us.

10. The proposals do not, as suggested by the Department of Treasury, necessarily require the institution of financial controls against the whole Soviet Bloc. No financial controls have been exercised during a period when the export of all Positive List commodities was substantially discontinued. Whether or not financial controls should be applied is a separate question.

*Conclusions*

The above recommendations for a stricter U.S. export control policy toward the U.S.S.R. and its European satellites should be adopted immediately. The advantages to be gained by this policy are: (*a*) the discontinuance of indirect assistance by the United States through U.S.S.R. and its satellites to the Chinese Communist aggressors; (*b*) the discontinuance of other exports to the Soviet Bloc, other than China and North Korea, which are not now controlled but which may contribute to the military potential of that area; and (*c*) an improved and more realistic policy framework for the administration of controls over the export of Positive List items to the Soviet Bloc.

740.5/1-1851 : Telegram

*The United States Deputy Representative on the North Atlantic Council (Spofford) to the Secretary of State*

SECRET LONDON, January 18, 1951—5 p. m.

Depto 426. 1. Re Depto 406,[1] Deputies considered on January 17 revised UK draft of resolution on export controls to insure adequate supplies for NATO D (51) (11) without final passage. Further consideration scheduled January 22, but agreement has been reached on following wording changes:

(*a*) In third paragraph resolution quoted Depto 406 D (51) (11) delete words beginning "in consultation" and ending "preceding paragraph" and replace with "in the light of measures referred to in the preceding paragraph as being already under consideration and in consultation with member governments."

(*b*) Replace last paragraph of resolution with "agree: that they, the deputies, will examine all recommendations and make, if necessary in consultation and cooperation with other appropriate bodies, suitable proposals to governments on the measures to be taken. The deputies will report to the council deputies on the action taken."

2. Only matter delaying final passage of resolution is Norwegian desire eliminate any reference in resolution to advisory group on raw materials. Norwegian deputy [2] stated his government feels that with raw materials groups in Paris and Washington, there is probably no further need for a NATO advisory group and wishes avoid assigning any further tasks to it. UK, US and other deputies pointed out that retention advisory group is separate subject. UK deputy suggested it best left to further discussion in month or so when dust settles on whole raw materials question. Also pointed out that leaving advisory group in export controls machinery for present would not prevent alteration if status of group later changed. Norwegian deputy referred to possibility assigning raw materials advisor to DPB and eliminating separate body, which suggestion will be subject separate cable.

3. Discussion behind changes in resolution given in paragraph 1 above is as follows:

(*a*) Danish deputy stated his government accepts resolution in principle, but with hesitation, due fear growing east-west trade controls will result loss key Danish imports from Soviet bloc. Danish Government recommends that after DPB and advisory group make recommendations, but before deputies act upon them, a separate body (suggested WG of 12) make general economic survey to check for net gain or loss due to possible imposition embargoes. Denmark fearful any move toward economic warfare and wanted include in resolution statement that it must be kept from press. US deputy stated intent keep matter secret would merely be sense of deputies.

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[1] Dated January 13, p. 998.

[2] Dag Bryn.

(*b*) Norwegian and Italian deputies [3] stated their governments shared Danish fear of loss of essential imports. Norwegian deputy cited exchange Norwegian aluminum against Soviet manganese and chrome. Norwegian deputy proposed that DPB data on critical shortages be given COCOM where proper emphasis would be given to trade considerations. At this point Norwegian deputy also expressed Norwegian wish to dissolve raw materials advisory group and establish advisor in DPB for reasons given in paragraph 2 above and due to Norwegian shortage qualified manpower. French and Netherlands deputies made point that since raw material sources might include Latin America, Near East, etc.; WG of 12 or COCOM would not necessarily be sufficient bodies with which to coordinate NATO action.

(*c*) US deputy, in reply above points, stated US would be very reluctant see additional steps in rather leisurely mechanism already provided in resolution and that his government had already expressed concern at delay on export controls. US deputy and UK deputy also stated opinion that examination by deputies DPB and advisory group recommendations would take into consideration such questions as loss of imports and provide proper protection to countries concerned. Netherlands, UK and Canadian deputies [4] stated that resolution considered not far-reaching and that it constituted simple device for deputies to obtain data and recommendations, upon receipt of which deputies could take any steps they chose.

(*d*) Final wording first sentence revision in paragraph 1*b* above suggested by French deputy and last sentence by US deputy. In accepting French suggestion, which all other deputies agreed to, US deputy introduced special statement in record. Statement to effect that deputies should not lose sight major objective of providing quick effective means assuring adequate supplies, that prevention shipment items in short supply to Soviet bloc constitutes one of most obvious measures this purpose and that US expects that ordinarily, consultation by deputies with other bodies would not be "necessary".

4. In light continued timidity exhibited by deputies above, our replies to paragraph 4 Todep 208, repeated Paris 3731 January 15,[5] are:

(*a*) Likely be extremely difficult obtain practical results from embargo resolution in next few weeks. Would be most helpful if you begin preparation initial list important items along with carefully prepared justifications for use by US members DPB and advisory group.

(*b*) DPB, as soon as informed of COCOM embargo list (available from UK) probably capable of development list critical short items within few weeks, but list developed near future cannot be expected be definitive. Difficult estimate ensuing time required obtain DPB and advisory group recommendations, but feel certain that prompt action will require strong US pressure.

(*c*) Agree UK suggestion that MDAP items be examined at outset, but with care taken not limit initial DPB effort to such items.

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[3] Alberto Rossi Longhi.
[4] L. Dana Wilgress.
[5] Not printed, but see footnote 2, p. 999.

5. Assuming passage resolution next week, WS will probably request Paris Embassy Excon officials meet with US DPB and advisory group's officers to plan means obtaining prompt NATO action.

Cleared US DPB staff.

Sent Department Depto 426, repeated info Paris 1344, for Embassy, OSR and Excon, Oslo unnumbered, Copenhagen unnumbered.

[SPOFFORD]

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740.5/1-2351: Telegram

*The United States Deputy Representative on the North Atlantic Council (Spofford) to the Secretary of State*

SECRET LONDON, January 23, 1951—1 p. m.

Depto 441. Re deputies resolution on export controls, D(51) 11 second revise (see Deptos 421,[1] 426,[2] and 439,[3] January 17, 18 and 22 respectively).

1. Danish deputy (acting chairman) introduced paper for record reviewing concerns expressed in paragraph 3 (*a*) Depto 426 as to economic consequences retaliation by Soviet, such as stoppage Polish coal supply. Danish paper repeated desire for separate study with respect each embargo recommendation re economic aspects proposed NAT embargoes to determine risks such retaliation and whether controls needed over shipments to non-NATO countries outside Soviet bloc. Paper also proposed general survey West European imports from Soviet bloc and their importance to NAT economy and defense efforts. Copies Danish paper being pouched.

2. Norwegian deputy expressed agreement his government with Danes that NAT export control recommendations be reviewed, in his view by WG of twelve, for possibilities Soviet retaliatory embargoes, prior action by deputies. He agreed accept resolution if this point placed on record. Norwegian deputy also agreed to refer to raw materials advisory group, provided record shows this will not prejudice later consideration of abolition advisory group.

3. Resolution adopted without further discussion.

Sent Department Depto 441; repeated info Paris (for OSR) 1364, Copenhagen unnumbered, Oslo unnumbered.

[SPOFFORD]

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[1] Not printed; it summarized the fifth meeting of the Council Deputies on January 17. (740.5/1-1751) For a detailed summary of the Council Deputies discussion concerning export controls which occurred during this fifth meeting, see telegram Depto 426, January 18, *supra*.

[2] *Supra*.

[3] Not printed; it summarized the sixth meeting of the Council Deputies on January 22. (740.5/1-2251)

S/P–NSC Files, Lot 61 D 167,[1] Export Control Policy

*Memorandum by the Assistant Secretary of State for Economic Affairs (Thorp) to the Director of the Planning Staff of the Bureau of European Affairs (Labouisse)*[2]

SECRET [WASHINGTON,] January 25, 1951.

*Commerce Proposal for Increasing Export Controls*

I know you are familiar with the proposal of the Department of Commerce to require licenses on all shipments to the Soviet Union and the European satellites, and to deny most of the licenses requested. This proposal was originally considered in the Advisory Committee two weeks ago, and at the insistence of ECA and State was placed before the NSC by Commerce. The NSC document is No. 102 of January 19.[3] The NSC Staff decided that the proposal should go before the Special NSC Committee on East-West Trade, and a meeting was accordingly held on January 24.

The purpose of the discussion was to see if the divergent views of the various agencies could be composed, so that a joint recommendation could be made to the NSC, which is supposed to consider the item at its meeting on January 31.

At the meeting I took the position that the State Department is in general sympathetic with the proposal to require licenses on all shipments moving to the European Soviet bloc from the United States, because it is useful for the government to know in advance what shipments are moving, or what the Soviet countries intend to buy. I pointed out however that it would be understandably difficult for licensing officers in the Department of Commerce formally to approve the shipment of an item not on the Positive List, and that it would be a natural inclination for them to wish to deny it. Thus it seemed that if our policy was to be one of not restricting trade in these relatively non-strategic items, it was obvious that a clear set of criteria would be necessary for the guidance of the licensing officers.

I went on to point out that there was no particular concern in the State Department as to the scope or composition of United States trade with the Soviet bloc, since it was already inconsequential, and since the requirement of licensing could be explained as a necessary precaution for security reasons. I said that it was much more important, however, to take account of the impact of this proposal upon

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[1] Serial file of memoranda relating to National Security Council questions for the years 1950–1961, as maintained by the Policy Planning Staff.

[2] Drafted by Willis C. Armstrong, Associate Chief of the Economic Resources and Security Staff, for Henry R. Labouisse who, in addition to his position as Director of the Policy Planning Staff, was also designated as the Department of State officer in charge of policies and programs concerning United States international economic activities. (Letter by Secretary of State Acheson to Secretary of Defense Marshall, January 9; S00.00/1–951)

[3] *Ante*, p. 1000.

the area of control where we now are focusing our major concern—i.e. Western Europe. I said that it was highly important that we continue our efforts to obtain the maximum measure of parallel action by Western European countries, and that it must be recalled that our approach has been on a selective control basis in which we have sought embargo of 1–A items and embargo on quantitative control of 1–B items. We have repeatedly told the Europeans that our objective is not a total embargo, nor economic warfare in the broad sense. I informed the committee that it was difficult to see how the Commerce proposal, as contained in NSC 102, could be construed as anything but a near embargo, and that the mere announcement of licensing would cause apprehension among the Europeans, who would expect shortly to be approached by us with a proposal for full embargo. I said that it seemed to us that this possibility might endanger the success of our efforts for parallel action on the selective basis, and that the disparity between United States and Western European controls which this would set up would create a considerable pressure for such parallel action.

I also pointed out that the Commerce proposal which in effect obliterated the distinction (admittedly now rather a formal one) between the treatment of 1–A items and that accorded to 1–B items, would mean serious difficulties for ECA in its administration of Section 117(*d*), and would raise serious questions concerning the extent to which the United States permits exports of 1–A and 1–B items to Western European countries when these countries have not adopted identical controls.

I concluded my presentation of our position by stating that the Department is preparing recommendations for the President, in response to his letter of December 28, concerning a good many aspects of the problem of economic relations between the Western world and the Soviet bloc, and that it was to be expected that our recommendations would cover the problems of United States licensing control, parallel action, 117(*d*), and export policy towards the Western Europeans. I suggested that in view of this project, which would presumably be presented to the NSC for consideration, the Commerce proposal might be deferred for the time being until the NSC had a chance to examine the proposal covering the entire field, so that an integrated policy could be developed.

ECA supported our position and went further to criticize vigorously the substance of the Commerce proposal, pointing out that no reasonable security purpose was served by additional licensing requirements, that the actual trade is insignificant and that the impact upon our major effort (controls by Europeans) might be serious. The representative of the NSRB staff said that he was prepared to await the

completion of the State Department project, and the representative of ODM also concurred.

The Commerce Department maintained its position of insisting upon the adoption of its proposal now, and was supported in this position by Defense, Agriculture, and a representative of the Joint Chiefs of Staff. The Defense Department felt that the Commerce proposal did not go far enough in embargoing shipments, and felt that all shipments except the so-called negative list should automatically be denied, and that all shipments, including the negative list, should be denied for shipment to Vladivostok.

The Treasury Department representative said that he was concerned over the need for financial controls over Soviet bloc assets to parallel licensing controls which might be established, and that he felt that if the Commerce proposal were to be adopted, it should be accompanied by Treasury financial measures. I should add that I had included in my presentation a statement to the effect that we were considering in our project the problem of imposing financial controls, and that we would probably have some recommendations on this subject. The Treasury position therefore in effect corresponded to ours, although the Treasury representative indicated at the end of the meeting that he would feel it necessary to file a paper on financial controls if the Commerce proposal is considered at NSC next week.

A representative of Mr. Harriman's office [4] was present and said that he favored delay until the State project is completed. A CIA representative was present, but said nothing.

The Chairman made an effort to develop some phraseology which would represent an agreed position in the committee, but nothing he suggested was agreeable to all agencies, and thus the proposal will go on to the NSC without any recommendation from the committee.

There was one other item on the agenda of the committee, required in connection with the Cannon amendment. In accordance with NSC 94/1 of December 21 the Special Committee is required to make recommendations to the NSC concerning the trade with the Soviet bloc of countries receiving United States economic and financial assistance. The committee had before it reports on the trade of Latin America, Africa, and the Middle Eastern countries, and agreed to report to the Council that on the basis of available facts, no action to terminate United States financial assistance to any of the countries seemed to be called for. The Commerce Department prepared the studies, and proposed the action of the committee. The exact language is to be drafted by State and Commerce. There was no substantive discussion of any consequence, although it is clear that some work needs to

[4] W. Averell Harriman, Special Assistant to the President.

be done on specific shipments from such countries as Turkey, Portugal, the Belgian Congo, Egypt, etc.

I am attaching herewith a memorandum, dated January 23, from Mr. Armstrong in ER, which deals with the Commerce proposal in regard to licensing.[5]

[5] Not printed; it contained recommendations concerning a position to be taken by the Department of State on NSC 102. The recommendations from Armstrong were the same as those summarized in the source text.

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*Editorial Note*

The Foreign Ministers of the United States, the United Kingdom, and France discussed the subject of security export control during their meetings in New York in September 1950, and signed an agreed minute which stated that it was the intention of the three countries to prepare a list of strategic items whose export to the Soviet bloc would be prohibited. As a result of this decision, representatives of the three countries met in London from October 17 to November 20, 1950, at the end of which they issued an agreed report. Of the 318 items proposed for possible export control, 74 were withdrawn by the proposing governments, while the remaining 244 items were accepted for various forms of control. It was agreed to establish an embargo on 102 items, institute quantitative control for 73 more, and exchange information on the other 69 items. The agreed tripartite proposals were then presented to the members of the Coordinating Committee (COCOM) of the Paris Consultative Group of nations which had been established for the purpose of controlling exports of strategic items to the Soviet bloc. Texts of the agreed minute signed by the Foreign Ministers in New York on September 19 and the agreed report of the London Tripartite Conversations issued on November 20, are printed in *Foreign Relations*, 1950, volume IV, pages 187 and 234.

During December 1950 and January 1951, the tripartite proposals were circulated among the members of COCOM who generally accepted them on the condition that certain items be eliminated or reclassified. Following a meeting of the Consultative Group in Paris on January 16 and the COCOM the next day, agreement was reached on all but 47 items included in the tripartite proposals. Technical discussions were then planned in order to reach agreement on the remaining 47 items. The technical discussions, which began in Paris on January 22 and ended 4 days later, resulted in agreement on 46 items and all reservations to their inclusion on the tripartite lists were withdrawn. The remaining unagreed item was ball bearings and a decision on its status was deferred pending further technical discussions. Extensive documentation on these negotiations within COCOM is in Department of State file 460.509.

460.509/1–2951 : Telegram

*The Chargé in France (Bonsal) to the Secretary of State*

SECRET

PARIS, January 29, 1951—6 p. m.

4456. Excon. Re (*a*) Stockholm's 807 to Department January 10 repeated Paris 152, London 160; [1] (*b*) Stockholm's 897 to Department January 27, repeated Paris 157, London 173.[2]

1. As reported Embtel 4395, January 26 (pouched Stockholm and London)[3] COCOM has now accepted all tri proposals. Reservations on 46 items were either withdrawn or minor amendments agreed to. Due Italian opposition (all other PC's agreed to tri bearing proposal) most difficult item was bearings, which was accepted on interim basis until March 15 pending technical discussion February 13 of Italian counterproposal.

2. No further contact with Swedes on behalf of CG planned in Paris at this time. Therefore Stockholm might take any convenient opportunity informally inform Swedes PC acceptance tri proposals. As to bearings, Swedes would have to be informed further technical discussions scheduled. We would be interested know soonest views of SKF and Swedish Government experts on types bearings they believe strategic and any suggested changes in tri definition. As February 13 technical discussion will probably reopen whole question of bearing definition, views of Swedes on this subject would be most helpful as of course would any indication of types they would be willing to embargo and types they would be willing quantitatively control.

3. In view Swedish *aide-mémoire* January 27,[4] we believe conversations between UK, French and US Embassies Stockholm should be extended to cover subparagraph *a* and *b*, paragraph 5 Deptel 3478, December 29, repeated Stockholm 483, London 3194.[5]

4. Both British and French COCOM delegates favor short list and they indicate this has approval their governments. One of difficulties in past negotiations by French on behalf CG has been in ascertaining just what discussions French actually had with Swedes (paragraph 6C Embtel 3549, December 21 repeated Stockholm 43, London 866)[6] and it is still not clear how far French went with Swedes in carrying out paragraph 7, page 3 COCOM Doc 221B. French rep-

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[1] *Ante*, p. 994.

[2] Not printed; it summarized a conversation with an official of the Swedish Foreign Ministry concerning a Swedish *aide-mémoire* which stated that the Swedish Government intended to do all that it could to effect a reduction of exports to the Soviet bloc. (460.589/1–2751)

[3] Not printed. For information concerning the COCOM meeting under reference, see the editorial note, *supra*.

[4] Not printed, but see footnote 2 above.

[5] *Foreign Relations*, 1950, vol. IV, p. 256.

[6] Not printed.

resentative who conducted talks said he told Swedes effort would be made to supply them with short list.

5. After Department's consideration of Swedish situation in light of Swedish *aide-mémoire* we believe there should be meeting at suitable level between UK, French and US (including representative US Embassy Stockholm) to explore whole Swedish situation and agree on further course of action.

Sent Department 4456, repeated information Stockholm 61, London 1070.

BONSAL

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*Editorial Note*

During the Eastern European Chiefs of Mission Conference in Paris, January 30–February 2, general agreement was reached concerning recommendations relating to the subject of East-West trade. These recommendations were summarized in telegram 4559 from Paris, February 2, which reads in part:

"Present East-West trade export controls should continue under constant study to achieve maximum benefit to West. Following specific measures are recommended:

*a.* continuing consideration should be given to East-West trade agreements and their negotiation.

*b.* cooperation of countries outside consultative group with regard to export strategic materials should be obtained.

*c.* leakage of strategic materials to East should be prevented by adequate controls and enforcement." (120.4351/2–251)

The Western European Ambassadors Conference at Frankfurt, February 5–7, also devoted an agenda item to the subject of East-West trade. John J. McCloy, United States High Commissioner for Germany, outlined the problem during the fifth and last meeting of the conference on February 7; and, while most of his talk concerned West German trade with the Soviet bloc, he did point out that the initiative in moving toward any severance of economic relations between East and West probably lay with Moscow rather than with the Western allies. The Ambassadors agreed to recommend the development of alternative sources of supply and new markets for Western European industry at an accelerated rate. Documentation concerning the Ambassadors Conference in Frankfurt is presented in volume IV; documentation concerning the Chiefs of Mission Conference in Paris is included in the compilation on general problems and policies in relations with Eastern Europe, *ibid.*

460.509/2–651 : Telegram

*The Chargé in France (Bonsal) to the Secretary of State*

SECRET PARIS, February 6, 1951—6 p. m.

4646. Excon. Ref Embtel 4567 February 2, repeated Berlin 71, London 1087, Stockholm 63.[1] Following is result yesterday's meeting UK, US and French COCOM delegates re Sweden and Switzerland.

I. All delegates made it clear meeting was solely to exchange views for purpose information their respective governments. US delegate stated US might be obliged take unilateral action re its exports both Sweden and Switzerland. (USDel was guided in discussion by Deptel 4056 to Paris February 2, repeated Stockholm 631, Bern 1021, London 3644;[2] Deptel 1020 to Bern February 2, repeated Paris 4055, Stockholm 630, London unnumbered.)[3]

II. *Switzerland*

A. French stated they felt Swiss reply tripartite *démarche* completely satisfactory and nothing further should be done because Swiss neutrality and results exceeded those expected. UK agreed with France in general, and particularly questioned whether pressure should be exerted against Swiss, saying best tactics this time would probably be await expected Swiss parliamentary action on 1939 legislature. (In this connection see last paragraph Bern's 1096 January 31, repeated Paris 150, London 34, Stockholm 14.)[4] UK nevertheless agreed that individual PC might have take action with respect materials used by Switzerland to manufacture items on IL or its own export control lists.

B. Consensus was following:

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[1] Not printed; it reported that the French requested a meeting between the COCOM delegations of the United States, United Kingdom, and France for the purpose of considering their next moves in light of the responses received from Switzerland and Sweden. (460.509/2–251)

[2] Not printed; it informed the Embassy in Paris that the Department of State was not too optimistic about the outcome of further discussions and therefore the United States delegation to COCOM was instructed not to encourage or concur in any proposals which might defer action regarding U.S. exports to Sweden and Switzerland. (460.509/2–251)

[3] Not printed; it summarized a conversation between Department of State officials and the Swiss Minister on February 1 concerning the import certificate system. (460.509/1–3151)

[4] The last paragraph of telegram 1096 from Bern, not printed, reads in part as follows:

"In response my question as to what had happened to the plans for invoking the law of 1939 providing for government control over all exports, he said he had proposed that the law be invoked but the Federal Council was not prepared to do so in peace time without Parliamentary sanction and it would probably be 3 or 4 months before matter could be presented to Parliament. I expressed appreciation his efforts but said such delay and uncertainty was far out of line with our feeling of urgency in the matter. He then said he would like to add an item 4 to the 3 he had made, namely, that every effort would be made to devise measures to stop the export of strategic materials to the East as soon as possible. I told him I would report our conversation to Washington and expect to see him again soon." (454.009/1–3151)

1. Tripartite reply to Swiss should be along following general lines:

(*a*) Tripartite governments should agree use Swiss import certificates on *ad hoc* basis.

(*b*) While "hold-the-line" policy for list II items apparently satisfactory for the moment, Swiss should be asked for specific IL I items being exported Soviet bloc. (In this connection see paragraph 3 Bern's 1096 to Department.)

(*c*) Regret should be expressed that Swiss have no method for preventing export strategic goods made from components of west origin.

2. COCOM should be asked immediately recommend that all PC's utilize Swiss import certificate system. (See Bern's 1102 Department February 3, repeated Paris 153, not repeated London or Stockholm.)[5]

III *Sweden*

A. French expressed complete satisfaction with Swedish reply except for ball bearings, and noted Swiss reply silent with respect re-export and transit. British views generally the same. We mentioned substance paragraph (1) Stockholm's 922 February 2 to Department repeated Paris 153, pouched Bern and London[6] re indication that transit controls for Sweden satisfactory and that Sweden has agreed not re-export US 1 A and 1 B items. French and UK delegates said they had no previous information these two points.

B. Following was consensus:

1. Tripartite reply to Sweden should be along following general lines:

(*a*) UK and France to require same assurances re re-exports as given US on 1 A and 1 B items. US to confirm this understanding in its reply. (UK raised question of displacement of such imports by Swedish export indigenous items, e.g. if US licenses ball bearings to Sweden, does present re-export agreement apply only to the US bearings or is Sweden at same time obliged not export similar quantity Swedish bearings.)

(*b*) Seek assurances that Sweden will not permit transit diversions IL I and II items to Soviet bloc destinations. (This on assumption present 1 A and 1 B re-export guaranty does not now cover diversions to Soviet bloc by means temporary entries or free ports.)

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[5] Not printed; it recommended that the new Swiss guarantees be discussed in COCOM with the view to gaining agreement of all participating countries to immediately avail themselves of this opportunity for checking the actual destination before licensing any shipments of strategic items to Switzerland. (400.549/2–151)

[6] Paragraph 1 of telegram 922 from Stockholm reads as follows:

"Transit controls for Sweden are satisfactory. Assurances given to US on non-re-export of strategic items undoubtedly will be extended to all PC's when Sweden is so requested by Paris group. In meantime Embassy believes leaks through re-export are probably as small in Sweden as in any of WE countries." (460.589/2–251)

(*c*) While "hold-the-line" policy for list II items apparently satisfactory for the moment, tripartite governments desire examine Swedish statistics being furnished on specific IL I items being exported Soviet bloc by Swedes.

(*d*) Regret should be expressed that Swedes have no method for preventing export strategic goods made from components of west origin.

(*e*) Particular attention should be called to concern with which tripartite governments view ball bearing exports and reiterate request for specific controls. (This point suggested by French who indicated they under considerable pressure to have Swedes control bearings on theory PC control ineffective without Swede cooperation item).

2. COCOM should be asked immediately agree that all PC's request Swedes give re-export assurances IL I and II items.

IV. *Further action with respect both countries*

A. Tripartite COCOM delegates should report to COCOM on Swedish and Swiss replies not later than COCOM meeting February 13. This date selected in hope that there might be tripartite governmental agreement with regard next steps toward Switzerland and Sweden by that date and fact that will be last COCOM meeting prior February 26. Tripartite proposals re COCOM action could be discussed that date with view to decision when COCOM reconvenes.

B. All three delegates believe further dealings with Swiss and Swedes should be in Bern and Stockholm on tripartite basis.

C. Department's instructions and Bern and Stockholm comment are requested soonest so that effort might be made to reach tripartite agreement here in advance February 13 COCOM meeting. In view UK and French attitude expressed above and that of Denmark expressed January 16 CG meeting (Embdesp 1937 January 17, '51, not copied Stockholm)[7] which we think is fair sampling PC opinion, we do not believe there is any possibility at this time for concerted pressure against Swedes and Swiss through COCOM.

Sent Department 4646; repeated information Bern 72, Stockholm 64, London 1109.

BONSAL

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[7] Not printed. For information concerning the COCOM meeting of January 16, see the editorial note, p. 1012.

S/P–NSC Files, Lot 62 D 1,[1] NSC 94 Series

*Memorandum by the Special Committee on East-West Trade to the National Security Council*[2]

SECRET [WASHINGTON, February 8, 1951.]

1. NSC 94/1,[3] approved December 21, 1950, called for examination of the trade relations between Soviet bloc and non-Soviet bloc countries, particularly those receiving U.S. economic and financial assistance, and directed the Special Committee on East-West Trade to make recommendations to the Council wherever the security interests of the United States may be involved, in particular, as described by Public Law 843, Section 1304 (the Cannon Amendment).[4]

2. The Special Committee on East-West Trade has made an examination of the trade between the Soviet bloc (including China) and the several countries of Latin America and the Near East and Africa listed in Attachment A. Accordingly, the Special Committee recommends that the National Security Council:

*a.* Note the following determinations:

(1) The outstanding feature of the trade between the countries of Latin America and the Soviet bloc is that it is of very small magnitude. The exports to the Soviet bloc consist preponderantly of agricultural and pastoral products; imports from the Soviet bloc consist of a wide diversity of products, largely manufactured goods. No significant quantity of any commodity strategic to the Soviet bloc is being obtained by the Soviet bloc from Latin American sources.

(2) The main feature of the trade between the Soviet bloc and the countries of the Near East and Africa is that it also is small. Exports to the Soviet bloc consist mostly of agricultural and pastoral products, though there are also comparatively small quantities of some minerals and metals. Imports consist of a wide range of goods, mostly manufactured. The commodities

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[1] Serial and subject master file of National Security Council documents and correspondence for the year 1948–1961, as maintained by the Policy Planning Staff.

[2] According to a covering memorandum, not printed, the source text was circulated on February 8 to members of the National Security Council for their consideration at a future meeting. (Memorandum by Acting Executive Secretary S. Everett Gleason, February 8; S/P–NSC Files, Lot 62 D 1, NSC 94 Series)

[3] NSC 94/1 is printed in *Foreign Relations*, 1950, vol. IV, p. 249.

[4] In a memorandum by Assistant Secretary of State Willard L. Thorp which recommended to the Secretary of State that he approve the report of the Special Committee, Thorp explained that although the Cannon Amendment technically required a finding by the National Security Council only when trade with the Soviet bloc was judged to be contrary to United States security interests, the consensus of the Special Committee was that the Council would wish to make a positive finding with respect to the trade of each recipient country whenever warranted by the facts. This was the justification for bringing the source text to the attention of the Council. (Memorandum by Thorp, February 20; S/S–NSC Files, Lot 63 D 351, NSC 94 Series)

strategic to the Soviet bloc available to it from these countries are limited in number and available only in small quantities. Any shipments of short-supply commodities, such as cotton from Egypt, are not such as to effect significantly their availability to the United States.

*b.* In view of the determinations in *a* above, agree that action to terminate U.S. economic and financial assistance to any of the countries listed in Attachment A, is not at present called for by reason of the character of the trade between those countries and the Soviet bloc.

*c.* Direct the Special Committee on East-West Trade:

(1) To continue its examination of trade between the Soviet bloc and the countries of Latin America and the Near East and Africa listed in Attachment A.

(2) To scrutinize particularly the possible use of Buenos Aires and Angola as transshipment points, and the shipments of henequen from Mexico, of non-ferrous metals from Turkey and of cotton from Egypt to the Soviet bloc so that any necessary action may be promptly recommended to the National Security Council.[5]

Attachment A

LATIN AMERICA

Argentina
Bolivia
Brazil
Chile
Colombia
Costa Rica
Cuba
Dominican Republic
Ecuador
Guatemala
Haiti
Honduras
Mexico
Nicaragua
Panama
Paraguay
Peru
El Salvador
Uruguay
Venezuela

NEAR EAST AND AFRICA

Egypt
Greece
Iran
Israel
Lebanon
Syria
Turkey
British African Colonies (not including Union of South Africa)
French African Colonies
Portuguese African Colonies
Belgian African Colonies
Ex-Italian African Colonies
Liberia
Ethiopia

[5] At the 84th Meeting of the National Security Council on February 21, the recommendations contained in paragraphs 2–*a*, *b*, and *c* were approved. (Memorandum by Executive Secretary Lay, February 23; S/P–NSC Files, Lot 62 D 1, NSC 94 Series)

460.509/2-651 : Telegram

*The Secretary of State to the Embassy in France* [1]

SECRET
PRIORITY

WASHINGTON, February 9, 1951—8 p. m.

4211. Excon. Ref Paris tel 4646 Feb 6 rptd info Bern 72, London 1109, Stockholm 64; [2] Stockholm tel 949 Feb 8 rptd Paris 165, Bern 15; [3] and Bern tel 157 to Paris Feb 8 rptd Dept 1131, Stockholm 15, London 36.[4]

1. Subj to concurrence AmEmb Stockholm and AmLeg Bern, which shld be given direct to London and Paris, USDel COCOM shld promptly inform UK and Fr Dels, and Missions Paris and London shld discuss with FonOff at high level, US position set forth below with respect (*a*) Tri response which shld be made to Switz and Swed and (*b*) action which Tri shld recommend to COCOM. As to timing, believe acceptable Tri agreement on next steps more impt than reaching agreed view by Feb 13 on (*a*) but shld make effort obtain Tri agreement on (*b*) along lines set forth Para 5 below, if possible in time for COCOM mtg Feb 13.

2. Tri response to Switz/Swed along lines suggested by Tri COCOM Dels as result exchange views Feb 5 (Paris tel 4646) wld be unsatisfactory to US Govt in several respects:

(*a*) Although US believes cooperation offered by Switz/Swed toward effective control over re-exports and transit movements represents long step forward, assuming COCOM PCs make full use of facilities offered by S/S (and that Swed in fact willing extend to all PCs same facilities offered to US), it is clear that such action meets only part of control problem already recognized by CG and COCOM (COCOM Docs 176 and 221B). Remainder of problem is to secure adequate S/S controls, close as possible to those of PCs, over highly strategic exports to SovBloc from S/S production—or as compromise for time being, parallel control over selected items where S/S exports from own production constitute important gap in agreed internatl controls. On this point Swiss reply is unresponsive and does not offer discuss such controls. Swed reply, although responsive to this problem and in some respects encouraging, contains no definite assurances. Nevertheless it offers basis for further discussion. Two cases appear to be sufficiently different that shld be treated separately.

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[1] Drafted by H. Gardner Ainsworth of the Office of European Regional Affairs and cleared with Miriam Camp, ER, WE, and BNA; repeated for action to Stockholm, Bern, and London. Camp was Officer in Charge of Economic-Organization Affairs in the Office of European Regional Affairs.

[2] *Ante*, p. 1015.

[3] Not printed; in it the Embassy expressed the view that there was no reason for a tripartite reply to the Swedish *aide-mémoire* at this time and that the next approach to the Swedish Government should be in regard to List I embargoes. (460.509/2-851)

[4] Not printed; it reported the Embassy's opinion that half-hearted multilateral action regarding an approach to the Swiss Government may not be preferable to unilateral United States action. (460.509/2-851)

(*b*) US cannot concur in Tri response to S/S or Tri report to COCOM which implies that progress thus far achieved is sufficient. Much remains to be done, and there shld be no relaxation of Tri pressure on S/S to adopt adequate controls. Re Swiss in particular, US fails understand how Fr can judge reply "completely satis". Suggestion of Brit that best Tri tactic wld be to await Swiss Parliamentary action on 1939 legis is inconsistent with COCOM view that this is matter of urgency. There is no assurance whether or when Parliament might consider this question.

(*c*) US cannot agree that Tri shld "regret" that S/S "have no method for preventing export strategic goods made from components of West Origin". Swed in fact exercises licensing control over all exports to SovBloc, and Swiss Fed Council reportedly cld reintroduce 1939 law or adopt other adequate control measures prevent strategic exports (whether or not involving components of West origin, which is limited aspect of problem not mentioned in previous Tri *démarches*). In US view, Tri shld adopt positive approach, reiterating concern and expressing hope that S/S will adopt controls, so far as possible comparable those of COCOM PCs.

(*d*) US is pleased to note that Br and Fr recognize validity US concern re S/S exports strategic goods made from components of West origin. For its part, US cannot continue contribute to frustration its own export controls by providing to S/S specialized equipment or essential materials of high strategic importance used directly in production highly strategic end-products for shipment to SovBloc. Similarly, US cannot continue supplying List I items to S/S in event (not so likely) that they are shipping same items to SovBloc from own production. If Brit and Fr share view PCs shld not contribute directly to S/S ability to export highly strategic goods to SovBloc, US believes they shld be willing support Tri recommendation to COCOM that "each PC shld examine effect on its own controls of lack of parallel controls in S/S and shld take any action it considers appropriate, pending possible agreement in COCOM on common policy, to avoid defeat of its own security controls".

3. In view foregoing, US recommends that Tri reply to Swiss shld be along fol lines:

(*a*) Tri Govts have agreed to require Swiss import certificates for IL I items and as gen rule (or *ad hoc*) for IL II items for shipment Switz. (For its part, US will clarify that presentation import certificate does not mean US export licenses will necessarily be granted.)

(*b*) Tri Govts for time being accept informal Swiss assurance that exports of List II items in future will not exceed recent levels, and they wld appreciate receiving current info concerning exports these items.

(*c*) Tri Govts are most concerned that Swiss Govt has not responded favorably to past requests for adequate controls to assure that highly strategic items on IL I will not be exported from Switz own production to SovBloc. Tri Govts are prepared enter into detailed discussion with Swiss Govt immed, if desired, to discuss problems Switz faces in expanding controls and to ascertain items on List I to which Swiss Govt might give priority attention in interest Western security.

(*d*) Pending action by Swiss Govt institute adequate controls on IL I items, Tri Govts are examining extent to which inaction by Swiss Govt will tend defeat objectives their own security export controls and are considering what action they might find it appropriate to take individually protect their own controls.

(For its part, US expects to state that it must as a minimum withhold action on applications for export to Switz of goods falling under any IL I listing until appropriate assurance is recd from Swiss Govt that it does not permit exports to SovBloc of locally-produced or imported goods falling under same IL I listing. Where applications for export from US involve capital equipment or essential materials on IL I which are used directly in mfg of goods falling under other IL I listings [production of latter being in impt degree dependent upon use of former],[5] assurance will be requested that locally-produced or imported goods under such other listings are also denied for export to SovBloc.)

4. US recommends that Tri reply to Swed shld be along fol lines:

(*a*) Govts of UK and Fr request assurance from Swed Govt that IL I and IL II items shipped from UK and Fr to Swed will not be re-exported and that diversions in transit through Sweden, including its free ports and similar places, will be prevented if a shipment is properly consigned to an importer in Swed and thus comes within control of Swedish authorities. (For its part, US will state that it understands that foregoing assurances have already been given by Swed Govt with respect to items on US 1A and 1B lists.)

(*b*) Tri Govts for time being accept informal assurance of Swed Govt that exports of IL II items in future will not exceed recent levels, and they wld apprec receiving current info concerning exports these items.

(*c*) Tri Govts welcome statement of Swed policy re its strategic exports, and note that increased exports of IL I items will be permitted only to traditional (Western) markets, but must reaffirm importance they attach to Swed denial IL I items to SovBloc. Tri Govts are prepared to enter into discussions with Swed Govt immed in order examine implications its trade policy in light of recent Swed export statistics, being furnished, and trust that discussions will lead to prompt controls over exports to SovBloc of IL I items which require priority attention in interest of Western security.

(*d*) Tri Govts reiterate that adequate control over anti-friction ball and roller bearings is matter of special urgency and hope that Swed will contribute fully toward solution this problem.

5. US proposes Tri report and recommendations to COCOM along fol lines, if possible at mtg Feb 13 but otherwise in report for circulation to COCOM Dels soon as possible:

(*a*) COCOM shld be informed of details Swiss and Swed replies to Tri *démarches*, preferably with agreed Tri comment concerning adequacy of S/S response to date but if necessary without comment. (US can concur in comment along gen lines set forth Para 2 (*a*) above.)

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[5] Brackets appear in the source text.

(*b*) COCOM shld be asked immed recommend that all PCs utilize Swiss import certificate system, preferably adopting common policy of requiring certificates for all IL I shipments to Switz and as gen rule for IL II shipments. (USDel shld point out that common policy of using certificates for same items, as compared with differing documentary requirements each PC, shld facilitate trade by removing uncertainties and that widespread use will demonstrate to Swiss that PCs seriously interested in Excon operation.)

(*c*) COCOM shld be asked immed recommend all PCs request Swed Govt give them assurances as to re-export and transit diversions for IL I and IL II items as per Para 4(*a*) above.

(*d*) COCOM shld be informed of reply which Tri Govts propose to make to S/S (Paras 3 and 4 above) and of further Tri recommendations to COCOM, when Tri Govts reach agreement on these points. (Pending such agreement, Tri Dels shld not discuss future action in COCOM except re para 5(*b*) and (*c*).)

ACHESON

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S/S–NSC Files, Lot 63 D 351, NSC 104 Series

*Memorandum by the Executive Secretary of the National Security Council (Lay) to the National Security Council* [1]

SECRET [WASHINGTON,] February 12, 1951.

NSC 104

U. S. POLICIES AND PROGRAMS IN THE ECONOMIC FIELD WHICH MAY AFFECT THE WAR POTENTIAL OF THE SOVIET BLOC

Reference: Memo for NSC from Executive Secretary, same subject, dated February 12, 1951 [2]

The President has referred the enclosed letter by the Secretary of State and its attached report on the subject for consideration by the National Security Council of the "Recommendations on Substantive Measures" contained in Part II–A therein. The Secretary of the Interior, the Secretary of Agriculture, the Secretary of Commerce, the Economic Cooperation Administrator and the Director, Bureau of the Budget, are being invited to participate in consideration of the enclosure by the Council, the Secretary of the Treasury and the Director of Defense Mobilization.

The President has referred the "Recommendations as to Organization" contained in Part II–B of the enclosed report to the Director, Bureau of the Budget for separate consideration.

Also enclosed is a copy of the letter from the President to the Secretary of State requesting the enclosed report.

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[1] The source text, along with a cover sheet, was circulated as NSC 104 to members of the National Security Council as well as the Secretary of the Treasury, Secretary of the Interior, Secretary of Agriculture, Secretary of Commerce, Director of Defense Mobilization, Administrator for Economic Cooperation, and the Director of the Bureau of the Budget.

[2] *Post*, p. 1035.

The analysis of the "Vulnerability of the Soviet Bloc to Existing and Tightened Western Economic Controls", and the analysis of the "Trade of the Free World with the Soviet Bloc", referred to in the enclosed letter by the Secretary of State, are being transmitted separately by the reference memorandum.

It is recommended that the "Recommendations on Substantive Measures" contained in Part II–A of the enclosed report, as adopted, be submitted to the President for consideration with the recommendation that he approve them and direct their implementation by all appropriate departments and agencies of the U.S. Government under the coordination of the Secretary of State.

JAMES S. LAY, JR.

[Enclosure 1]

*The President to the Secretary of State*

CONFIDENTIAL WASHINGTON, December 28, 1950.

MY DEAR MR. SECRETARY: Recent developments in the international situation require that the United States review and adjust certain of its policies and programs with respect to its international economic activities. It is necessary that we now take such measures as are feasible to prevent the flow to countries supporting Communist imperialist aggression of those materials, goods, funds and services which would serve materially to aid their ability to carry on such aggression. We must enlist the cooperation and support of other nations in carrying out those measures; and in securing such support we must stand ready to take such steps as may be necessary to minimize the economic dependency of cooperating nations upon Communist imperialist countries. Such objectives must necessarily be achieved without materially impairing our collateral aim of increasing the flow, and assuring the sound allocation, of strategic and critical materials to the free countries of the world.

It is my desire that to the extent that legislation, organization and funds permit and subject to your advice and concurrence with respect to foreign policy objectives, all appropriate programs of the Government now be adjusted and hereafter administered in the light of the above determinations. I desire that you keep me currently informed of the actions taken by the various agencies involved in support of these objectives.

Further, I request that you take the lead in developing recommendations, for submission to me within the next 30 days, of additional measures to achieve these purposes. The development of recommendations will require an analysis to be undertaken by the Economic Cooperation Administration, with such assistance from other

agencies as it may request, of the economy and trade of Communist imperialist aggressors as well as the economy and trade of countries trading with them and the development of specific programs for the adjustment of those trade patterns.

I am having copies of this letter transmitted to the Secretaries of Defense, Treasury, Agriculture, Commerce and Interior, to the Economic Cooperation Administrator, and to the Director of Central Intelligence with the request that they undertake such studies and analyses and participate in the development of recommendations as you may require.

I am also sending copies of this letter to Mr. Harriman and to the Director of the Bureau of the Budget with the request that they work closely with you in the development of the recommendations, the latter especially on those which have organizational and budgetary implications.

Sincerely yours, HARRY S. TRUMAN

[Enclosure 2]

*The Secretary of State to the President*

SECRET WASHINGTON, February 10, 1951.

DEAR MR. PRESIDENT: In accordance with your letter of December 28th concerning U.S. policies and programs in the economic field which may affect the war potential of the Soviet bloc, I submit herewith a report containing the recommendations of the Department of State, together with supporting material setting forth our conclusions as to the nature of the vulnerability of the Soviet bloc, the nature of the economic relationships between the Soviet and non-Soviet worlds, and the implications of alternative lines of action.

There is appended to the report an analysis of the vulnerability of the Soviet bloc, prepared in the Department of State on the basis of its own intelligence reports and of those of the Defense establishment.* There is also appended an analysis of the economies and trade of the free world with Soviet bloc countries, prepared by the Economic Cooperation Administration with the assistance of the Department of State and other agencies.*

The report contains a series of substantive recommendations for immediate action to strengthen our own controls and those of friendly countries. It also recommends further exploration of a number of lines of action which there has not yet been time to consider fully.

As activities in this field require constant review and consideration and as the possible lines of action are of interest to several depart-

*Transmitted separately by memo for NSC from Executive Secretary, same subject, dated February 12, 1951. [Footnote in the source text.]

ments and agencies of the Executive branch, it is also recommended that an interdepartmental Economic Defense Strategy Board be established for the purpose, among others, of considering proposed economic defense programs and their relationships to foreign policy objectives and other foreign operations. If you concur in this recommendation, it would be desirable for this Board to be established promptly.

Pending the establishment of any new mechanism, I suggest that the report be considered by the National Security Council. I believe this particularly desirable as certain aspects of this subject are already before the Council.

The pressure of time has made it impracticable for us to seek and obtain final approval of the report from the other departments and agencies interested in this subject. We did, however, seek their comments and suggestions on our preliminary draft and have endeavored to reflect their views. We have also had the benefits of the views of the Bureau of the Budget and of Mr. Harriman's office in the development of the recommendations.

There is one additional aspect of this matter to which I should like to draw your attention. In considering the possibilities and alternatives open to this government, it became clear that the Soviet bloc economy is relatively so self-sufficient that techniques of a new and unorthodox nature must be developed and applied. Application of many of these techniques requires employment of covert measures. The Central Intelligence Agency is now preparing a document which sets forth those covert measures which appear to be germane to the conclusions and recommendations of our report.†

Sincerely yours,

DEAN ACHESON

[Subenclosure]

SECRET

[WASHINGTON,] February 9, 1951.

REPORT TO THE PRESIDENT ON UNITED STATES POLICIES AND PROGRAMS IN THE ECONOMIC FIELD WHICH MAY AFFECT THE WAR POTENTIAL OF THE SOVIET BLOC [3]

INTRODUCTION

As Soviet aggressive intentions have become more and more evident, the United States, and under its leadership other important nations of

†To be circulated as NIE-22, "Vulnerability of the Soviet Bloc to Economic Warfare". [Footnote in the source text. For text of NIE-22, see p. 1046.]

[3] In a memorandum to Ambassador at Large Philip Jessup, dated February 9, Max W. Bishop, Department of State Staff Member on the National Security Council, directed the source text to Jessup's attention and noted that it is "my impression that economic operations of this sort in peace time, if carried out properly, could be even more disruptive than total economic warfare under conditions of war." (S/P-NSC Files, Lot 61 D 167, NSC 104 Series)

the free world, have progressively adopted stronger and stronger measures, both positively to build up their own strength and negatively to reduce the strength of the Soviet orbit. The establishment of the North Atlantic Treaty Organization, the European Recovery Program, and improved international relationships in the fields of trade, finance and economic development, have helped constructively to create strength in the free world. Negative measures to impair the Soviet war potential began with the imposition by the United States, in March 1948, of export restrictions or prohibitions on the shipment of strategic goods to the Soviet Union and the satellite countries of Eastern Europe. In the following months and years those controls were progressively tightened, and, through international negotiation, were extended to cover exports of similar items from Western European countries. Today, an important segment of the free world's exports to Soviet-dominated areas has been prohibited or brought under control.

The invasion of South Korea by communist forces served as an unmistakable warning to the free world that it must accelerate its efforts to develop a preponderance of military and economic strength over that of the Soviet bloc. The defense mobilization program of the United States, Canada and Western Europe is a constructive response to this warning. It has also been necessary to step up our efforts to impair the strength of the Soviet world through the intensification or extension of controls over its trade and financial relationships with outside areas.

The present report has been prepared with a view to recommending the measures which should now be adopted, or continued, to weaken the war potential of the Soviet bloc consistently with the objective of building greater economic and political strength in the free world.

As a basis for its conclusions (Part I) and recommendations (Part II), the report in Part III surveys the vulnerability of the Soviet bloc to western economic controls, analyzes the position of the free world countries in their trade with the Soviet bloc, and examines the effectiveness and practicability of various control techniques that are available.

As used in this paper, the term "Soviet bloc" includes the USSR, Bulgaria, Rumania, Hungary, Albania, Poland, Czechoslovakia, the Soviet zone of Germany and Communist China.

## Part I

### CONCLUSIONS

The following are the most important conclusions reached after reviewing present policies and programs and appraising possible additional lines of action:

1. The economy of the Soviet bloc is, to a large extent, free from dependence on trading relationships with the non-Soviet world. Seg-

ments of its economy, however, and particularly some closely related to the war-making potential, are susceptible to external pressures. These vulnerable spots are, broadly speaking, in the fields of machinery and equipment, precision tools, anti-friction bearings, electronics, certain non-ferrous metals, rubber and certain grades of essential minerals. Selective controls directed at these vulnerable spots can achieve most of the results that could be achieved through a complete embargo.

2. The volume of trade between Eastern and Western Europe is today at about 40 percent of the pre-war level; the strengthening of controls proposed in this report will mean a further reduction in this trade. A diminution of trade as a result of this process of strengthening international controls is desirable, provided adequate provision is made to assist the non-Soviet world to meet the resulting economic dislocations and provided the shrinkage is effected through programs which maintain the political unity of the West.

3. It is not at this time in the best interests of the free world to pursue a policy of complete embargo against the USSR and its European satellites. (The policy with respect to exports to China is dealt with in recommendations 1 and 7.) Without significantly increasing the net economic advantage to the West, a complete embargo might well serve to orient the European satellites, particularly Poland and Czechoslovakia, even more rapidly and more deeply toward the USSR; it would make more difficult the settlement of the problems of Germany and of Austria; it would increase the risk of our having to resort again to the Berlin airlift; and, if urged by us, it would raise major doubts in the minds of the other free nations as to the sincerity of our objective of a peaceful settlement of the existing differences with the USSR.

4. The effectiveness of external pressures on the Soviet bloc, to a large extent, depends upon the degree of cooperation of the members of the non-Soviet world. There are, however, limitations on the degree of control other governments can undertake. Many governments are limited in the extent to which they can take political decisions against the Soviet bloc, some by the presence of large indigenous Communist parties, some by public demand for an official policy of neutrality, and some by the fear of direct military reprisals. In addition, many countries of the free world are dependent in varying degrees on trade with the Soviet bloc. Complete stoppage or a significant decrease in this trade would result in serious economic dislocations, particularly among the countries of Western Europe.

5. The economic dislocations could be mitigated to some extent by gradual readjustments which would require the development of alternative sources of supply and the opening up of markets in the Western world for goods now marketed in the Soviet bloc. However, these

readjustments would require major alterations in some of the domestic policies of the U.S. and other countries. Domestic policies such as those relating to the export of products in short supply, the protection of national maritime fleets and the protection of domestic industries would have to be readjusted to fit the concept of a self-contained and mutually re-enforcing Western world.

6. Despite the cost, the principal nations of the non-Soviet world are cooperating and can be expected to cooperate further in a series of measures, short of full-scale economic warfare, which can materially retard the building of the Soviet war potential. It is important, however, in order to increase the likelihood that other nations will expand and strengthen their existing controls, that the concept of "economic defense" as distinct from "economic warfare" be maintained. Certain neutral governments will not participate fully in any case, but to some extent their lack of cooperation can be offset by special measures.

7. Western Germany, although agreeing in principle to the imposition of selective controls, is faced with formidable enforcement problems in making such controls effective. Unless measures are devised for enforcing controls on exports from Western Germany, particularly illegal traffic and transshipments, the effectiveness of Western controls generally will be greatly impaired.

8. As many of the measures employed in World War II to damage the German war economy are of limited usefulness against the relatively self-sufficient Soviet bloc, new techniques for exploiting the latter's weaknesses should be constantly sought. These techniques should be designed not only to weaken the Soviet war-making potential, but also to place an increasing strain on economic and political relations within the Soviet bloc. Because of their security aspects, certain techniques in this and related fields should be closely guarded and not dealt with directly as part of the more traditional measures.

9. Plans should be formulated and made ready for implementation to deal with a situation of full-scale economic warfare in the event the Soviet bloc initiates such a policy, or in the event that developments make it advisable for the non-Soviet world to adopt this course.

10. The economic strength and cohesiveness of the free world will determine, in large measure, its willingness and ability to take adequate measures against the Soviet bloc. Accordingly, the various aspects of our foreign economic policy which are aimed at the positive goal of building free world strength should be adapted to the present situation and augmented. Among the programs which lend themselves to this objective, and which can be utilised to develop the alternative sources of supply, are our various loan and grant programs, Point IV, and the programs for trade barrier reduction in the free world.

549-782—79——66

## Part II

### RECOMMENDATIONS

It is not possible to make final recommendations covering the entire subject under review without further study and consultation with other agencies of the Government. However, the following recommendations are submitted with a view to setting a pattern for immediate action and establishing machinery for carrying forward the consideration and development of policies and programs. Because of the interests of certain other departments and agencies of the Government in this subject, and because some aspects of it have been before the National Security Council, it is suggested that these recommendations be referred to the Council for review and consideration by it and other appropriate departments and agencies.

A—*Recommendations on Substantive Measures*

*Export Controls*

1. The U.S. Government should, pending further developments in the U.N., continue to prohibit all exports to communist China, Manchuria and North Korea, but should apply licensing controls so as to permit Hong Kong and Macao to procure from U.S. sources imports for local uses and for transshipment to non-communist destinations.

2. The U.S. Government should extend its present export licensing system over trade with the Soviet Union and its Eastern European satellites by requiring an export license for all products proposed for shipment to these areas. In licensing such exports, the U.S. should continue to prohibit exports of all items of significance in the atomic energy field, all arms, munitions and implements of war, all items which are determined to be in short supply, and all items which if exported would contribute directly to the Soviet war potential (the so-called I and I–A lists). The U.S. should normally deny the issuance of licenses for all items which, if exported in significant quantities, would contribute to the Soviet war potential (the so-called I–B list). All other items should be kept under constant surveillance through the comprehensive licensing system recommended above. Specific items should be added to the list of commodities which are restricted or prohibited on a selective basis and in accordance with established procedures and existing criteria for control, whenever such action is justified for short supply or security reasons.

3. The U.S. overall security objectives should be controlling in the implementation of Section 117(*d*) of the Economic Cooperation Act of 1948 and of Public Law 843, Section 1304 (the Cannon Amendment). Accordingly, although the U.S. Government should prohibit or restrict shipments of important strategic goods to friendly countries, in accordance with policies and procedures which have been laid down

by the National Security Council, if necessary to prevent the frustration of U.S. security export controls or the misuse of U.S. economic or financial assistance, action should be taken in such a way as not to endanger other U.S. security objectives of equal or greater importance.

4. The U.S. Government should continue to provide vigorous leadership in the strengthening of the security export controls of the Western European countries, recognizing, however, that considerations of political feasibility, military risk and economic cost make it undesirable to press for European controls completely parallel to those exercised by the U.S. The U.S. should continue to press for (*a*) embargo to the Soviet bloc of scarce materials or equipment needed for Western defense programs, (*b*) international agreement to embargo or limit shipments of additional goods which are not yet fully controlled but have already been recognized by most of the Western European countries in the Coordinating Committee in Paris (COCOM)‡ to be of strategic importance, (*c*) more effective international controls over transshipments and illegal trade, (*d*) maximum cooperation by countries, such as Sweden and Switzerland, which do not at present participate in multilateral export control arrangements, (*e*) measures to minimize past and future trade agreement commitments to supply goods of strategic importance, (*f*) measures to promote coordination among the Western European countries in their trade agreement negotiations with the East, and (*g*) improved organizational arrangements in COCOM and in the NATO to further these objectives.

5. The U.S. Government in association with the British and French Governments should request further action by the Federal German Republic to ensure more effective control over the illegal trade and transshipment of goods agreed for control in COCOM.

6. The U.S. Government should seek the further cooperation of the American Republics and where necessary that of other countries in applying export controls to direct shipments and transshipments to the Soviet bloc of items of strategic significance or in short supply.

7. The U.S. Government, in view of the Chinese Communist aggression in Korea, should press for the application of effective controls on exports to China. Its efforts through the United Nations should be directed at achieving agreement on economic sanctions by the maximum number of countries; if necessary to achieve a wide measure of agreement, such sanctions may be confined to a list of goods including atomic energy materials, arms, ammunition and implements of war, petroleum, and industrial equipment useful in producing war materials.

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‡In addition to the United States and Canada, the Consultative Group and its Coordinating Committee include the German Federal Republic and the following NATO countries: the United Kingdom, France, Italy, Belgium, Netherlands, Luxembourg, Norway and Denmark. [Footnote in the source text.]

8. Multilateral arrangements among free world countries for the equitable distribution of materials in short supply should be used by the U.S., to the greatest practicable extent, to deny or limit shipment to the Soviet bloc.

*Preclusive Operations*

9. Arrangements for governmental procurement of commodities in short supply, including government-to-government purchase agreements, should be designed in such a way as to deny or limit shipments to the Soviet bloc, to the extent that this would not interfere with the primary procurement purpose of the arrangement.

10. To the extent that export controls, allocation and normal purchase mechanisms do not sufficiently limit the export to the Soviet bloc of materials in which the bloc is vulnerable, the U.S., after consultation with its major allies, should engage unilaterally or jointly in preclusive buying and the preemption of productive facilities to achieve this objective. Preclusive buying operations should concentrate in the first instance on such items as industrial diamonds, jewel bearings and mica, rather than bulk items. Efforts to preempt industrial capacity should be directed primarily at capacity capable of producing critical manufactured products, particularly those requiring large amounts of skilled labor, in countries which do not voluntarily prohibit the movement of these products to the Soviet bloc.

*Financial Measures*

11. The Strategy Board referred to under Section B of these recommendations should determine the point at which export controls have become so restrictive and other economic and political relations so curtailed that blocking of the dollars and dollar transactions of the USSR and its satellites would be appropriate.

12. Continued study should be given to the subject of gold with a view to evaluating measures of international cooperation which might prove fruitful in reducing the ability of the Soviet bloc to utilize gold.

*Blacklisting*

13. It would be undesirable at this time to publish a "blacklist" or "proclaimed list". However, to assist in tightening the enforcement of existing export and other controls and as a preliminary step in preparing a more formal "blacklist", arrangements should be made to develop a central file of information on individuals, firms and corporations suspected of evading U.S. or international controls.

14. The determination whether to publish a "blacklist" at a later date should be made after careful consideration by the Strategy Board referred to under Section B of these recommendations.

*Technology*

15. The U.S. should sponsor measures to strengthen security controls of plants and factories employing advanced technological processes.

16. The U.S. should press for more effective action by COCOM countries to implement their agreement that "the object of the embargo or quantitative controls should not be defeated by the export of technical assistance, design data, manufacturing technique, and specialized tools for making any controlled items."

17. The U.S. should develop further programs to prevent the export of advanced technological information to the Soviet bloc, including export achieved through the movement of persons, and should enlist the cooperation of other countries in this effort. These programs should be devised in such a way as to create the least possible impediment to the exchange of such information among the nations of the free world.

*Shipping*

18. The U.S. should seek coordinated action on the part of the important maritime powers to prohibit the carriage to Soviet bloc destinations of all goods which are the subject of embargo.

19. The U.S. should explore the feasibility and desirability of instituting, in cooperation with other major maritime powers, a system of ship warrants and of control over the issuance of ship stores in aid of our controls on the movement of prohibited goods.

*Decreasing Reliance on Trade with the Soviet Bloc*

20. The U.S., with the aid of friendly countries, should pursue vigorously programs for increasing production of those basic materials that are now exported by the Soviet bloc. These programs should be carried out as part of our general program of procurement and development.

21. The bargaining position of friendly countries which now rely on the Soviet bloc for essential materials should be strengthened by making alternative sources for these materials in the free world more readily available. To this end, policies governing U.S. export controls on short supply items should be so designed as not to foreclose a shift to U.S. sources by friendly countries. In addition, a fund should be established, possibly out of ECA appropriations, to make possible the extension of financial aid to friendly countries to offset partially any increases in cost involved in a shift from Soviet bloc to free world sources, whenever such a shift would carry net advantages for the West. Pending further consideration, it is estimated that aid for these purposes would involve something less than $100 million annually.

22. A more comprehensive analysis than has so far been possible should be made to determine what specific products or services now being offered by the free world to the Soviet bloc could be diverted to other countries of the free world. This analysis should point out (*a*) how productive capacity might be reoriented to provide materials needed by the free world and (*b*) to what extent the diversion will require the reduction of such obstacles as high tariffs, quotas, and

shipping discrimination. Further study should also be given to the need for government purchasing of goods abroad now marketed in the Soviet bloc which can only be disposed of in the free world at a loss.

B—*Recommendations as to Organization*

1. Pending further consideration within the Executive Branch, the operating responsibility for carrying out approved policies should rest with the departments or agencies normally having responsibility in the particular field of action in question. In connection with its operating responsibilities, it is expected that each agency will provide the necessary staff work for the development of suggested operating programs within its assigned field.

2. To formulate overall operating programs, central staff work and analysis will be required for the purpose of coordinating and evaluating individual agency proposals as to the most promising course of action. This analysis must take into account the probable effects of proposed economic defense measures on the economies of friendly and neutral countries whose cooperation is necessary to make them effective. It should also consider the possibilities of using foreign assistance and other positive foreign economic programs to reinforce economic defense objectives. This centralized staff work should be organized and directed by the Chairman of the Board referred to in paragraph 3 below, who, for completed staff work, should make maximum use of the facilities of the departments and agencies having responsibilities in these fields.

3. The operating programs in this field must be carried on in terms of and in a manner consistent with our foreign policy objectives. The operations in this field must be coordinated with other programs and efforts in the field of foreign policy. It is therefore recommended that an Economic Defense Strategy Board be established under the Chairmanship of the Department of State. Other agencies to be represented on the Board should include the Departments of Treasury, Defense, Commerce, Agriculture and Interior and the Economic Cooperation Administration, the Central Intelligence Agency, and the Office of Defense Mobilization. This Board should consider proposed economic defense programs and their relationship to foreign policy objectives and other foreign operations; should aid in coordinating the operations of the various agencies; should assist in evaluating the effectiveness of operating programs; and should stimulate the development of effective policies and programs. The Board should recommend policies to govern operations in this field.

[Here follows Part III, a 30-page analysis upon which the conclusions and recommendations contained in the first two sections are based.]

S/S–NSC Files, Lot 63 D 351, NSC 104–Supplemental Reports

*Memorandum by the Executive Secretary of the National Security Council (Lay) to the National Security Council* [1]

SECRET WASHINGTON, February 12, 1951.

Subject: U.S. Policies and Programs in the Economic Field Which May Affect the War Potential of the Soviet Bloc

Reference: NSC 104 [2]

The enclosed copies of an analysis of the "Vulnerability of the Soviet Bloc to Existing and Tightened Western Economic Controls", prepared in the Department of State (Appendix A), and of an analysis of the "Trade of the Free World With the Soviet Bloc", prepared by the Economic Cooperation Administration (Appendix B), are transmitted herewith for the information of the National Security Council in connection with its consideration of NSC 104 on the subject.

Both the enclosures are referred to in the second paragraph of the letter from the Secretary of State to the President contained in NSC 104.[3]

JAMES S. LAY, JR.

[Appendix A]

*Report Prepared by the Office of Intelligence Research of the Department of State*

SECRET WASHINGTON, January 20, 1951.

OIR Report No. 5447R [4]

VULNERABILITY OF THE SOVIET BLOC TO EXISTING AND TIGHTENED WESTERN ECONOMIC CONTROLS

I. THE SOVIET BLOC AS A WHOLE

This report attempts to determine to what extent the Soviet bloc is vulnerable to economic warfare on the part of the Western powers. For working purposes the bloc includes the following countries: (1) the USSR, (2) the Eastern European orbit of the USSR consisting of Poland, Eastern Germany, Czechoslovakia, Hungary, Rumania, Bulgaria, and Albania; (3) China in the Far Eastern orbit of the Soviet Union. Korea, Outer Mongolia, and certain Communist-

[1] Copies were also sent to the Secretary of the Treasury, Secretary of the Interior, Secretary of Agriculture, Secretary of Commerce, Director of Defense Mobilization, Administrator for Economic Cooperation, and the Director of the Bureau of the Budget.

[2] *Ante*, p. 1023.

[3] Enclosure 2 to NSC 104, February 12, p. 1025.

[4] The source text, along with a cover sheet and table of contents, was circulated as OIR Report No. 5447R. On the cover sheet it was stated that "this is an intelligence report; nothing in it is to be construed as a statement of US or Department policy or as a recommendation of any given policy."

controlled areas in Southeast Asia are omitted because of their minor economic significance and the absence of reliable data on them. The countries outside the Soviet realm are frequently referred to in this study as "the West."

Interference with imports and exports, with efforts to obtain foreign technological information, with transportation links and financial relations abroad is necessarily harmful to the USSR and its sphere of influence. By systematically examining the Soviet bloc's foreign economic relations, its dependence on such contacts, and the effects of a more or less complete blockade, it is possible to spot sensitive areas, both geographical and functional. It need hardly be mentioned that statements on the Soviet bloc economy are to a very large extent based on estimates, many of them tenuous, and that there is no yardstick for measuring and comparing vulnerabilities. Even more important than the limitations of research on the countries behind the Iron Curtain are the limitations of economic warfare itself. The first part of this report assesses the vulnerability of the Soviet bloc in general, its encouraging as well as difficult aspects, from the US point of view, while the subsequent discussion points out specific Soviet bloc vulnerabilities in the different fields of foreign economic relations.

A. *Soviet Bloc Dependence on Imports from the Outside World*

The core of the problem is the Soviet bloc's vulnerability to Western export controls. Measures in other fields are important chiefly insofar as they affect the bloc's ability to import. Thus an embargo on imports from the Soviet bloc or the freezing of its financial assets endangers the East's capacity to pay for its own imports; severing transportation links prevents the Soviet realm from receiving goods from abroad. The bloc is sensitive to measures against its imports because (1) its industrial establishment is lagging behind that of the West and is being forced into rapid expansion, and (2) because some essential materials cannot be produced or are not being produced in sufficient quantities within its boundaries.

The first reason is the more important one. With the exception of Eastern Germany and the Czech lands, the Soviet bloc consists either of newly industrialized or agricultural economies. Since practically everywhere industries are built up at a fast rate, the bloc as a whole is short of capital in general, of capital goods in particular, of managerial and engineering talents, and of highly skilled labor. All of these countries are seeking to obtain from abroad industrial equipment, especially high quality machines and instruments, some vital raw materials and semi-finished goods, and technological information. All of them are after spare parts for the vast amount of assorted foreign equipment acquired in former years and increasingly in need of repair.

Scarcity of raw materials is due only to a small extent to the parsimony of nature. The Soviet bloc covers a large portion of the globe,

and with the exception of natural rubber, a few of the rare metals, and certain gems, there is no lack of natural resources. The main problem is to get them out of the ground and process or otherwise utilize them; thus it is not the deposits but the skill and equipment that are wanting.

As a result of US controls and the unwillingness of American business and labor to trade any longer with Communist governments, US exports to the Soviet bloc have all but ceased. In 1947 commercial exports alone (i.e. excluding lend-lease "pipeline" and relief shipments) to the USSR, Poland, Czechoslovakia, Hungary, Rumania, Bulgaria, and Albania amounted to $207.5 million; during the first 10 months of 1950 they dwindled to $26.1 million; in the month of October they did not even reach the million dollar mark. But trade between the Soviet bloc and the rest of the world has remained fairly stable in recent years; a rough estimate for 1950 shows that the USSR and its satellites, including China, managed to import about $1.7 billion worth of goods from the West.

It is true that this amount is less than one-fifth of what the US imported ($9 billion in 1950) and that in comparison with the aggregate national output of the Soviet bloc, it is little more than 1 percent. But with few exceptions it consists of goods essential for military preparedness and for the economic basis of military preparedness. Consumers' goods hardly figure among the imports; the bulk consists of vital raw materials and semi-manufactured goods such as metals and metal products, industrial diamonds and abrasives, important fibers, basic chemicals and rubber as well as all sorts of capital goods, machinery, and equipment, both for current use and for stockpiling purposes. Lack of statistical data prevents a commodity breakdown of the entire Soviet bloc trade, but in 1950 crude rubber imports alone amounted to about $150 million, raw cotton imports to $175 million, wool imports to $75 million, if not more, and industrial machinery and transportation equipment to a minimum of $200 million. More information is available for Western Europe's 1949 exports to the USSR and its Eastern European orbit. These exports amounted to $750 million, thus representing almost half of the Soviet bloc's entire imports, the remainder consisting chiefly of raw materials purchased in the Far East and other parts of the world. The major commodity groups within Western Europe's exports are the following (in millions of dollars):

| | |
|---|---|
| Agricultural products | 40.7 |
| Textiles | 97.2 |
| Chemicals | 54.1 |
| Iron and steel products | 57.8 |
| Nonferrous metals and manuf. | 42.7 |
| Machinery | 165.1 |
| Transportation equipment | 31.7 |

The effectiveness of existing controls over exports to the Soviet bloc and of a complete future embargo on such exports can be appraised in terms of two objectives of economic warfare:

(1) reduce current levels of production in the Soviet bloc;
(2) reduce or arrest the expansion of Eastern productive capacities.

The following survey groups commodities now being shipped to the East—or at least in demand by the Soviet bloc—according to whether their embargo would satisfy objective (1) or (2).

(1) Embargo on the export of these commodities to the Soviet bloc would impair maintenance of existing levels of production within the Soviet bloc:

Iron ore: a Swedish embargo would seriously lower satellite steel output until reconversion to Soviet ores was effected.
Steel: alloying metals, including nickel, but excluding manganese and chrome.
Tin
Copper
Industrial diamonds and gems (difficulty to enforce controls should be noted)
Piezo-electric quartz
Sulphur, pyrites, and sulphuric acid
Graphite, Mica, Asbestos } and manufactures thereof, but special types only
Natural rubber, of which, however, substantial stockpiles exist.
Textile fibers, especially long-staple cotton, apparel wool: embargo would cause 10–15 percent decline in Soviet textile output and very substantial decline in satellite output.
Ball and roller bearings, including high-grade bearing steels and parts: present controls have little effect or are evaded; chief sources are Sweden, Switzerland, Italy, Austria; embargo would have serious effect, especially on satellite output, although stockpiles exist.
Electronic equipment, as well as materials and component parts for it; embargo would have direct effect on military potential.
Abrasives, especially critical grain sizes: embargo might impair present levels of output of bearings, precision instruments, military items, etc; chief sources are: Norway and other European countries.
Spare parts: numerous types of replacement parts for equipment previously acquired by the Soviet bloc in the West are essential for continued operation of the equipment. In the cases where they can be reproduced within the bloc, a significant drain on the bloc's skilled labor and productive capacity may result.

(2) Embargo on the export of these commodities to the Soviet bloc would substantially impair ability to *raise* production above existing levels:

Equipment for petroleum exploration, drilling, and refining, especially certain crucial components, such as drills.

Power generating equipment and, in this connection, copper, already listed in group (1).
Anti-friction bearing producing equipment.
Machine tools (only complex, specialized, automatic types).
Precision instruments: present controls probably ineffective: embargo would substantially retard expansion in a number of important industries, would also hamper research.
Shipping, viz. an embargo on acquisition of new vessels and on chartering operations.

B. *Soviet Bloc Vulnerability to a Ban on Its Exports*

It was mentioned earlier that interference with Soviet bloc exports would be effective chiefly as a way of cutting off the means to purchase abroad. There would be no general crisis as, say, in Brazil in case of a blockade of its coffee exports. Most of the Soviet bloc's export goods could be easily diverted to domestic use; a reallocation of resources would be necessary in only a few instances. Thus grain which could not be sold abroad would be used to increase livestock herds or strategic stocks, and some acreage now under grains might be employed for technical crops. The obvious areas of possible crises are the Polish coal industry and various industries in Czechoslovakia producing luxury and semi-luxury goods for export to the West. In these cases some capital waste and temporary unemployment would be inevitable, but the degree of vulnerability of the countries immediately affected is low, to say nothing of the Soviet bloc as a whole.

C. *Limitations of Soviet Bloc Vulnerability*

This leads to the limits of Soviet bloc vulnerability. The effectiveness of economic warfare against the Soviet bloc is limited, first, because the area is little exposed to Western economic action, and, second, because it has forces of resistance and recuperation.

With respect to the first point, it must be repeated that the Soviet realm has a high degree of self-sufficiency. Not much more than 1 percent of its gross national income is derived from exchange with the outside world, as compared with 3 percent for the US and 18 percent for the UK. Moreover, part of the Soviet bloc trade is out of reach of the US; it is carried on with countries which, for political or other reasons, are interested in continued commercial relations with the USSR and its retainers. Sweden and Iran are examples of countries which prefer to humor a dangerous neighbor by doing business with him. In addition a vast net of more or less covert trade channels has developed in recent years through which the Soviet bloc contrives to obtain products which figure on Western control lists. Such shipments are, of course, expensive because of circuitous hauls, price gouging, and middleman commissions, and it is known that Soviet and satellite leaders are greatly annoyed by the adverse effects of US policy on the terms of their trade. In this connection it must be pointed out that

economic warfare is also a costly operation for the West and particularly for the US and that the relation between effects on the East and cost to the West must be kept in mind.

Soviet power of resistance is based on the following circumstances:

(1) Modern technology is well adapted to finding substitutes, at least for marginal purposes.

(2) In the course of a few years labor and capital can be reallocated so as to alleviate critical shortages.

(3) In a socialist economy it is relatively easy to spread the damage done by economic warfare over the economy as a whole. No private firm will succumb under the weight of losses; workers temporarily idle can easily be kept on the payrolls.

(4) The gradual development of centralized planning for the Soviet bloc as a whole means that deficits in one part of the Soviet bloc are covered, as far as possible, by surpluses available elsewhere and a more or less common strategy is applied to dealings with the outside world. In the long run the integration of the satellites into the Soviet economy involves a new, Moscow-directed division of labor between the members of the Communist empire. This aspect of the vulnerability problems requires separate consideration.

D. *Soviet Bloc Integration as a Hedge Against Western Measures*

The effectiveness of Western economic measures against the Soviet bloc depends to a considerable extent on the degree to which the bloc has been, or can be, effectively integrated into a single economic unit and the flexibility with which it can respond to changing circumstances, such as a Western embargo. Flexibility of adjustment may be hampered by institutional obstacles and rigidities and, to some extent, by transportation bottlenecks. The limitations in terms of general economic resources are covered throughout this report.

A fairly high degree of integration of the Soviet bloc (though not yet with the newcomer, Communist China) has already been achieved. Despite the fact that the economies of the Soviet Union and its Eastern European satellites are more marked by similarities than by complementarity—i.e., that their commodity surpluses and deficits tend to cumulate rather than to offset each other—the Soviet Union and its European orbit have achieved a fairly high level of interchange of goods. The turnover of commercial trade between the Soviet Union on the one side and Poland, Czechoslovakia, Hungary, Rumania, and Bulgaria on the other rose to approximately the equivalent of one and one-quarter billion dollars by 1949. The prewar volume of this trade was negligible. Trade among the satellite countries mentioned above was about $100 million in 1938 and reached almost $400 million in 1949 (current prices in both cases). In addition, Eastern Germany is rapidly becoming a full-fledged trading member of the Soviet bloc. Outer Mongolia has been an active trading partner of the USSR for some 25 years now, and the USSR is apparently obtaining the chief

exportable surpluses of Manchuria. Finally, reparations out of current production (chiefly from Eastern Germany, but also from Rumania and Hungary) and similar noncommercial receipts add to the commodity flow to the Soviet Union. As a result, a fairly high degree of redistribution of commodity "surpluses"—chiefly petroleum, coal, iron ore, certain non-ferrous metals, raw cotton, textiles, and industrial equipment—has been achieved. The far-reaching current economic plans of the satellites suggest that to some extent they are to share in the limited supplies of industrial equipment available within the bloc.

This redistribution of supplies within the bloc, resting ultimately on the effective political control of the whole area by the Soviet Union, seems to be the primary function of the so-called Council for Economic Mutual Assistance (CEMA).* In particular, CEMA appears to coordinate national economic plans, the interchange of surpluses within the bloc, and—by means of a reported Committee for Trade with Capitalist Countries within the CEMA—the sale and purchase of supplies in the West as well. Other coordinating machinery may also exist.

On the other hand, the presence of substantial institutional weaknesses and rigidities within the Soviet bloc must be emphasized. These include:

(1) The presence of about a dozen national units (not counting the constituent republics of the USSR), each with its own government, bureaucracy, and party structure.

(2) The rigidities inherent in the Soviet planned system (now adopted by the satellites), with its inflexible plans for each enterprise, with minute and constraining prescriptions for economic behavior, and with its top-heavy centralized planning and inspection structures.

(3) The presence of a perpetual "sellers' market", encouraging hoarding of supplies and diminishing managerial energies.

(4) General discouragement of individual initiative and of willingness to accept individual responsibility, which is inherent in the Soviet system of rewards and punishments.

(5) Disaffection from Soviet domination in the satellite countries.

It is believed that these weaknesses and rigidities may appreciably offset the organizational gains made by the Soviet bloc, such as the creation of the CEMA, and the advantage enjoyed by a totalitarian system in speed of adjustment to changing circumstances.

[Here follow the remaining six sections of the report, totalling over seventy pages, which deal with deficit commodities, surplus commodities, technical aid, transportation, money and finance, and the Soviet sphere of influence in the Far East.]

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*China is the only major member of the Soviet bloc not belonging to the CEMA. [Footnote in the source text.]

[Appendix B]

*Report Prepared by the Economic Cooperation Administration*

SECRET WASHINGTON, February [?] 1951.

TRADE OF THE FREE WORLD WITH THE SOVIET BLOC

SUMMARY CONCLUSIONS

In general terms the following are the major conclusions reached in the attached report on the European Soviet Bloc and China.

(1) Economic warfare cannot be a decisive weapon in dealing either with the Soviet Bloc in Europe or with China. Controls can be made more effective than they are today. There is no way to prevent trade with the Soviet Bloc from contributing to the military potential of the area short of an all-out economic warfare.

(2) Assuming that we (or the Soviets) do not decide to initiate all-out economic war, there are two alternative courses of action open to us. We might attempt to deny to the Soviet Bloc shipment of all machinery, other capital equipment and essential selected raw materials from any part of the free world. This would force retaliation by the Soviet Bloc and would quickly wind up in all-out economic war. Alternatively we might continue a policy of selective controls on items of critical importance to the Soviet Bloc with some additions to the present selective control lists.

(3) There would be much to be said in favor of the first alternative on the hypothesis of an inevitable military war with the USSR beginning within the next year. Even under these conditions our program should be selective in order to reduce the political cost to the US of exerting pressure on friendly countries which would find the cost of such a policy very great.

(4) In the longer range perspective, however, the second alternative of carefully selected controls would be preferable in striking at the serious vulnerabilities of the Soviet Bloc. What the Soviet Bloc needs from the free world more than anything else is imports of items having a high skilled labor content. A policy of selective controls should therefore place progressively greater emphasis on this type of item.

(5) This policy should be expanded from the present foundation of multilaterally agreed lists. As a first step greater attention should be placed on plugging the leaks in present controls rather than on expanding the selective lists. The Soviet Bloc needs for imports are so great that the Bloc would have no economic incentive to take strong retaliatory measures.

(6) If the decision is made to increase controls on raw materials shipments to the Soviet Bloc, we should look more and more towards agreements for international allocation, which could have the effect

of preventing stockpiling by the Soviet Bloc. For both political and economic reasons, international allocation is likely to limit supplies more effectively than the International List technique.

(7) As occasion warrants, these selective commodity controls could be supported by preclusive buying, shipping controls and other necessary steps.

(8) The cost of the less aggressive, selective program would not be great although we would have to be prepared to back up friendly nations with assurances of our support if they adhered to our policies in trade bargaining with the Soviets. Since the policy would be selective, we should keep down the political cost of a control policy to the US by developing controls that would have minimum cost. On the other hand, the direct and immediate financial cost to our friends of the first, more far-reaching alternative might come to $500 million per year but that would not be all. There would be major political and other costs together with the probability that, once we embarked on the more far-reaching alternative, there would be no turning back short of military war.

(9) It should also be noted that the political problems as well as economic policies raised by economic warfare are currently insignificant for the US. They are grave for countries exposed to direct aggression such as Denmark and Norway; for countries which would have to change their entire political philosophy such as Sweden and Switzerland; and for countries with acute internal political problems such as India, Pakistan and Indonesia.

(10) There is no hard and fast line between the alternative types of control suggested. Almost any step we take means disadvantages as well as advantages to the free world. How to strike the balance in estimating the pluses and minuses of any policy is never easy, particularly since military, political and economic judgments that must be balanced will have to be derived by using standards of measurement that are appropriate in each field but for which no table of conversion factors exists.

(11) Even the more moderate program would involve some distortion in commodity trades and, for certain countries, serious general trade distortions. If we ask the nations of Western Europe to accept these distortions, they will not be satisfied with general expressions of financial support. They will undoubtedly raise such specific questions as the priority, if any, of their claim on the coal we offer them in the event of a US coal strike or a shipping shortage. We cannot expect other nations to enter into a program of serious disruption to their normal trading pattern without submitting our own internal commodity policies to some measure of foreign examination.

(12) At the same time we should be careful not to assume the full responsibility for the cost of necessary trade realignments. We should make it clear to friendly nations that there is little long-range future in trade with the Soviet Bloc. All the available evidence supports the conclusion that Russia is striving for self-sufficiency and integration with the other members of the Bloc—not for expanding East-West trade.

(13) The proposal of a far-reaching extension of controls would mean complex negotiations in an effort to realign certain trading patterns. The State Department must consider the priority to be given to negotiations on rearmament and on an extension of controls.

(14) Because of the nature of China and the advance state of military activities in that area, our program of economic warfare should be more extensive than in Europe. Even here our program should be for the most part selective, but we should be less reluctant to take necessary all-out measures. An important objective would be the attainment of multilateral agreement among the Western Nations on a complete quarantine of China from the technology of the West.

(15) Because of the greater wealth of the free world, its advanced technology and its generally greater economic flexibility, we can observe as a general rule that a battle of trade sanctions between the two worlds is more likely to react in our favor than in the favor of the Communists. Our greatest vulnerability is the potential frictions that may be caused by disagreements as to appropriate control policies among the sovereign free nations of the world, no two of whom find the cost of a control program the same. In particular the existence of East Germany as an effective part of the Soviet Bloc but as an integral part of "Germany" in the minds of West Germans poses a major problem.

The vulnerability of the Soviet world is more complex. In a limited way, it is a financial shortage, although this element is not of major importance. Of greater importance is a critical materials shortage, for the Soviet Bloc is short of many critical commodities which are urgently needed in its capital expansion program, in its military program and in its civilian program. Most important of all, the real vulnerability of the Soviet Bloc is its shortage of skilled labor and management needed for the mass-production of war materials or the rapid production of specialized precision equipment. In China this vulnerability reflects itself in a small critical modern sector of the Chinese economy which can only be maintained through a sustained import of all kinds of machinery and capital equipment. In the Soviet Union there is also a general shortage of capital equipment, but the real problem is concerned with specific and identifiable machinery shortages.

[Here follow a section explaining the structure of the report, a section summarizing Part I of the report concerning the "Soviet Bloc in Europe," and a section summarizing Part II concerning "China." Neither Part I nor II, which total over 100 pages, is printed here; Part II, however, is printed in volume VII.

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460.509/2-1451

*Memorandum by the Assistant Secretary of State for Economic Affairs (Thorp) to the Assistant Chief of the Policy Reports Staff of the Executive Secretariat (Barnes)*[1]

SECRET

WASHINGTON, February 14, 1951.

Subject: Consideration of the Economic Defense Paper at the NSC Next Wednesday.

Mr. Webb mentioned to me this morning that in all probability the Secretary would try to get away from Washington for a couple of weeks beginning early next week. The purpose of this note is to set forth our strong recommendation that he stay at least through NSC consideration of Mr. Labouisse's paper.[2] I shall send you another note on the trade agreement problem (hearings of the Senate Finance Committee are scheduled for Thursday, February 22) shortly. There are a number of reasons why I believe the Secretary's attendance at the NSC next Wednesday is imperative:

(1) The paper in question is the most ambitious undertaking to date to set forth comprehensively the economic relationships between the Soviet area and the Western world. Implicit in the recommendations are very important political and strategic judgments which must be agreed upon by the NSC before they move on to acceptance of the recommendations themselves.

(2) There may be some discussion of the proposal for establishing an Economic Defense Strategy Board, and particularly whether or not the Department should provide the chairman. The implications on our foreign relations of programs in the economic defense field are such that the Department must maintain policy and planning control over the diverse activities in this field.

(3) In one sense, the NSC meeting on Wednesday will bring to a head running disagreements between the Department and ECA on the one hand and Commerce and the Defense Establishment on the other with respect to East-West trade policy. As the Secretary has represented the Department in earlier discussions, it seems important to me that the continuity of his attendance should not be lost at this critical stage.

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[1] Drafted by the Special Assistant to the Assistant Secretary of State for Economic Affairs, J. Robert Schaetzel; a copy was sent to Labouisse.

[2] This is presumably a reference to OIR Report No. 5447R of January 20, 1951, which is Appendix A to the memorandum by Executive Secretary Lay, February 12, p. 1035.

INR Files[1]

*National Intelligence Estimate*[2]

[Extract][3]

SECRET

NIE–22

WASHINGTON, February 19, 1951.

## VULNERABILITY OF THE SOVIET BLOC TO ECONOMIC WARFARE

### PROBLEM

To estimate the vulnerability of the Soviet bloc to economic warfare.

### FOREWORD

The term "economic warfare" as applied in this paper covers the offensive use in peacetime of measures to diminish or neutralize the war potential of the Soviet bloc.*

The extent to which in the event of war the resources of conquered territories could be effectively utilized and the extent to which they would represent a net gain to the bloc is a problem beyond the scope of this paper. The absence of military operations is assumed as a part of the terms of reference.

Since China is engaged in military operations against United Nations forces in Korea, it is necessary to assess the effect of economic warfare upon China under the existing circumstances.

The measures considered available to the Western Powers to deny exports to the Soviet bloc include the following: export and import licensing, trade manipulation, preclusive buying, black listing, foreign funds control, and the denial to the Soviet bloc of access to non-Soviet maritime and air facilities. The effects of blockade and of the use of the navicert and ship warrant systems are not considered in this paper under the term economic warfare since these measures are usually not employed except in a state of war.

### GENERAL CONCLUSIONS

*Military Capabilities.*

1. A program† of economic warfare directed against the Soviet bloc, which encompassed selected commodities and services and which

[1] Files of the Bureau of Intelligence and Research, Department of State.

[2] For information on National Intelligence Estimates, see footnote 1, p. 4.

[3] The omitted section of six pages contains a detailed analysis upon which the general conclusions are based.

*The Soviet bloc is defined as: the USSR, China, Albania, Bulgaria, Czechoslovakia, Eastern Germany, Hungary, Poland, and Rumania. The vulnerability of Korea, Outer Mongolia, and certain Communist-controlled areas in Southeast Asia is not considered because of the relative insignificance of the economies in these areas; however, it is assumed that economic warfare measures will also apply against these regions. [Footnote in the source text.]

†No attempt is made to assess the general effectiveness of the control measures that are already in effect, or to suggest wherein they are adequate or need to be supplemented. It should be noted, however, that direct US shipments to the Soviet bloc have already been reduced to relatively insignificant proportions through our export control policies. [Footnote in the source text.]

received a high degree of cooperation from the Western Powers would, if well coordinated and well enforced, seriously retard and limit the development of the Soviet bloc war potential. Although, because of the advanced state of Soviet preparedness for war, such a program would not significantly affect the present capability of the USSR to wage initial campaigns, it would, nevertheless, seriously affect the capability of the USSR to conduct a general war of long duration and might correspondingly influence a decision concerning such a venture.

*Conduct of Foreign Policy.*

2. The total effects of a program of economic warfare are not likely to force a basic change in the aggressive foreign policy of the USSR.

*Economic and Political Stability.*

3. The effect of a program of economic warfare on the economic and political stability of the USSR and its Satellites and upon relations between the USSR and its Satellites would not be decisive, though such a program would intensify popular discontent, particularly in the Satellite states and would aggravate problems of commodity distribution throughout the bloc. Soviet authority, however, would doubtless be effective in dealing with conflicting claims among the Satellites for scarce commodities. In view of the repressive power of the Soviet bloc security organizations, the political stability of the various regimes would not be seriously jeopardized unless and until other disruptive pressures were brought to bear, in which case the cumulative effect would be serious.

*Economic Development.*

4. A program of economic warfare would add to the internal economic problems of the USSR and its Satellites and would make it virtually impossible to carry out the planned balanced development of their economies. Such prospects as they now have for narrowing the present great gap between their combined productive capacities and those of the West would be decidedly reduced.

*Ability to Reduce the Effects of Controls.*

5. To achieve worthwhile results a high degree of cooperation among the Western Powers is essential:‡ otherwise the Soviet bloc could reduce the effect of an economic warfare program: *a*) by purchases from Western nations unwilling to engage in parallel action on the economic warfare program; and *b*) by the employment of covert

‡Although it is not actually within the terms of reference of this estimate, it should be noted that effective measures for economic warfare against the Soviet bloc would involve substantial cost. This cost would probably include, *inter alia*, loss of the imports of Western Europe from the Soviet bloc which are of significance to their economies, and would require a redirection of trade. This estimate makes no attempt, however, to balance off the costs of economic warfare against its advantages. [Footnote in the source text.]

trade channels to circumvent controls. In any case, the Soviet bloc would attempt to reduce the effects by adjustments within the economy, including reallocation of resources, the use of synthetics and substitutes, and the temporary utilization of stockpiles. There would, however, be a definite limitation on their ability to reduce the effect of controls through such internal adjustments.

*Chinese Military Capabilities.*

6. The effect of a program of economic warfare against China requires special consideration since China is actually engaged in military operations of major importance. The effect of economic warfare alone would not be a decisive factor in limiting Chinese military capabilities. Combined with the present drain caused by the Korean war, however, economic warfare would substantially reduce Chinese military capabilities (though not to the extent of critically disrupting current tactical operations) and might ultimately affect the Korean war itself. Unless the Soviet Union were engaged in supplying major campaigns elsewhere, it would have the capability, despite certain stringencies in its economy, of supplying China's essential military requirements, but it is uncertain how much the flow of Soviet supplies to China could be stepped up without creating critical transportation difficulties. The effect of these difficulties together with the drain caused by the Korean war might, conditioned upon the degree of resistance, exert a restraining influence upon Chinese plans for further expansion in Southeast Asia or might significantly hamper the execution of such plans if they were put into operation.

*Chinese Economy.*[4]

7. The industrial centers of China which are largely the product of Western capitalism are peculiarly dependent upon the West for raw materials, for supplies, and for industrial spare parts, and, indeed, even for the maintenance of some of the barest essentials of an industrial type of society. A program of economic warfare, by depriving these centers of their imports, would consequently have a serious effect on their economy and would increase the problems of internal control there. In addition, a well enforced program of economic warfare would make Communist China more dependent on the very limited Chinese rail facilities connecting with the USSR. Such a program would have increasingly serious effects. It would hamper current industrial production, retard industrial development and might seriously limit China's ability to sustain large-scale military operations. If continued for a long enough time, it might even threaten the internal stability of the regime.

. . . . . .

[4] Documentation concerning United States policy with regard to restriction of trade with North Korea and Mainland China is presented in volume VII.

S/S–NSC Files, Lot 63 D 351, NSC 104–Memoranda

*Memorandum by the Assistant Secretary of State for Economic Affairs (Thorp) to the Secretary of State* [1]

SECRET [WASHINGTON,] February 20, 1951.

Subject: National Security Council Agenda for February 21, 1951
Item No. 4: NSC 102 and Recommendation 2 of NSC 104 [2]

*Discussion:*

In NSC 102, dated January 19, 1951, the Department of Commerce proposed that all exports to the Soviet Bloc should be subject to licensing, under criteria which would be so restrictive as to be tantamount to an embargo. In our view the Commerce Department proposal would have required the Economic Cooperation Administration to withhold financing under Section 117(*d*)* of the ECA Act and would have had a serious effect on our parallel action negotiations with Western European countries.

In NSC 104 the Department of State also proposed that all exports to the Soviet Bloc should be subject to licensing, but that all licenses covering commodities not already on the Positive List should be referred to the interdepartmental committee to determine what action would be appropriate in each case. This recommendation was intended to keep the licensing procedure flexible and to minimize possible undesirable effects upon our negotiations with Western European countries.

We have now reached a compromise with the Department of Commerce which retains the concept of selective control, but which gives the Commerce Department considerable licensing freedom, subject to continuing policy checks by the interagency committee. This compromise is attached as Annex A. Briefly, it involves the establishment of a 1–C list of some 200 commodities, about 50 of which are already under licensing for Western European countries as well as Soviet Bloc destinations. These 50 would be reviewed by the Advisory Committee on Export Policy to see whether they should continue to be under license for Western Europe or whether licensing should be confined to the

[1] Drafted by Robert B. Wright, Assistant Chief of the Economic Resources and Security Staff, and cleared with John M. Leddy, Deputy Director of the Office of International Trade Policy.

[2] For texts of NSC 102, of January 19, and NSC 104, of February 12, see pp. 1000 and 1023.

*Section 117(*d*) of the Economic Cooperation Act of 1948 (P.L. 472) reads in part as follows:

"The Administrator is directed to refuse delivery insofar as practicable to participating countries of commodities which go into the production of any commodity for delivery to any non-participating European country, which commodity would be refused export licenses to those countries by the United States in the interest of national security." [Footnote in the source text.]

Soviet Bloc. Commerce would be authorized to deny licenses for the Soviet Bloc, on any of the 200 items, in excess of minimum quantities, but would report regularly to the Advisory Committee which could recommend more stringent or more lenient treatment in the future. Transfers of items to or from the 1–C list would be made only after review by the Advisory Committee.

Recommendation 2 of NSC 104 has been revised in order to conform with this compromise on NSC 102. This revision of recommendation 2 in NSC 104 is attached as Annex B.

We understand that the Department of Commerce will submit the compromise included as Annex A to the NSC as a replacement for NSC 102, but this is still subject to confirmation.

The Defense Department may wish a policy more severe than that contained in Annex A. In particular, Defense may propose that 1–B items, now "normally denied" for the Soviet Bloc, be placed under absolute and automatic embargo. We feel that it is essential to avoid any agreement in the NSC that 1–B items should be automatically denied. This would establish an embargo of 1–B items requiring negotiation of an agreement by ECA countries to an identical embargo, and denial of ECA assistance in the absence of such agreement.

*Recommendations:*

1. It is recommended that the compromise revision in NSC 102 as contained in Annex A be supported.

2. It is recommended that the Department propose that the revision in recommendation 2 of NSC 104 as contained in Annex B be accepted.

### Annex A

### Proposed Procedure for Controlling Exports to Subgroup A Destinations Other Than Communist China and North Korea

1. All exports to Subgroup A will require a validated license.

2. Applications for export of short supply items and of Class 1–A items shall be denied.

3. Applications for export of 1–B items shall normally be denied.

4. There shall be established for internal export control purposes a 1–C list of items.

*a.* The 1–C list shall include initially the items in ACEP Document No. 60.1 dated December 6, 1950, except for the items which have subsequently been rated 1–A or 1–B or which have been added to the Positive List for reasons of short supply.

*b.* The initial area of control for 1–C items shall be Subgroup A, except for the 52 items added to the Positive List in accord with Program Determination 460 dated February 10, 1951 for which the initial area of control shall be R destinations. The area of control for 1–C items shall be examined by the ACEP structure to determine, on

the basis of risk of transshipment, which of the 1–C items placed on the Positive List by Program Determination 460 should be controlled to Subgroup A alone, and which of the additional 1–C items included in ACEP Document No. 60.1, or subsequently added to the 1–C list, should be controlled to R or RO destinations and hence added to the Positive List.

5. The following licensing policies shall govern the export of 1–C commodities:

*a.* Exports of 1–C items to Subgroup A destinations shall be denied by OIT if the export is in excess of minimum quantities.

*b.* OIT shall deny applications for 1–C Positive List commodities for export to destinations outside Subgroup A if there is reasonable evidence of transshipment.

*c.* The OIT shall approve the export of minimum quantities of 1–C items to Subgroup A destinations other than Communist China and North Korea.

6. The OIT shall report periodically to the ACEP structure the number of licenses for 1–C items applied for during the past period, the quantities approved, and the quantities denied. Any member of the ACEP may propose in the light of these reports whether any item should be dealt with more stringently or more leniently in the future.

7. The ACEP structure will review proposals to transfer items to or from the 1–C list.

8. The following policies shall govern the export to Subgroup A destinations, other than Communist China and North Korea, of items not on the Positive List and not on the 1–C list:

*a.* These commodities shall normally be approved for export.

*b.* The OIT may in any specific case reduce or deny licenses for particular shipments.

9. The OIT shall report regularly the licenses applied for, the quantities approved, and the quantities denied for commodities which are not on the Positive List and not on the 1–C list, for export to Subgroup A destinations other than Communist China and North Korea. The ACEP will recommend the future policy to govern the licensing of these items, including the possible transfer of the items to other control categories.

### Annex B

### Revised Recommendation 2 of NSC 104

"2. The U.S. Government should extend its present export licensing system over trade with the Soviet Union and its Eastern European satellites by requiring an export license for all products proposed for shipment to these areas. In licensing such exports, the United States should continue to prohibit exports of all items of significance in the

atomic energy field, all arms, munitions and implements of war, all items which are determined to be in short supply, and all items which if exported would contribute directly to the Soviet war potential (the so-called I and I–A lists). The United States should normally deny the issuance of licenses for all items which, if exported in significant quantities, would contribute to the Soviet war potential (the so-called I–B list). There should also be established as an internal 'Watch List' a 1C list of items whose export to Soviet Bloc destinations should normally be denied in excess of minimum quantities, subject to continuing review of licensing action by the Advisory Committee on Export Policy. All other items should be kept under constant surveillance through the comprehensive licensing system recommended above, but should normally be approved. Specific items should be added to the list of commodities which are restricted or prohibited on a selective basis and in accordance with established procedures and existing criteria for control, whenever such action is justified for short supply or security reasons."

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S/S–NSC Files, Lot 63 D 351, NSC 104–Memoranda

*Memorandum by the Chairman of the Joint Chiefs of Staff (Bradley) to the Secretary of Defense (Marshall)*[1]

SECRET

WASHINGTON, 20 February 1951.

Subject: U.S. Policies and Programs in the Economic Field Which May Affect the War Potential of the Soviet Bloc.

1. The Joint Chiefs of Staff feel that NSC 104[2] is a thorough analysis of the probable effect of measures which might be taken in concert by the free world with a view to impairing the basic economic strength of the Soviet bloc. The Joint Chiefs of Staff note that the recommendations set forth in NSC 104 are not considered to be final and require further study and consultation with other agencies of the government.

2. The Joint Chiefs of Staff believe that effective action taken in the international economic field to increase the war potential of the non-Soviet world, while concurrently decreasing the war potential of the Soviet world, is of major military importance.

3. The Joint Chiefs of Staff, however, believe that the proposed United States export control policy, set forth in paragraphs 1 and 2 of the recommendations of NSC 104, is inadequate in light of the current world situation. The Joint Chiefs of Staff consider that an ade-

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[1] According to the covering memorandum attached to the source text, the Executive Secretary, NSC, at the request of the Secretary of Defense, circulated this JCS memorandum to the members of the NSC on February 21 in connection with the Council's consideration of the NSC 104

[2] Dated February 12, p. 1023.

quate United States export control policy toward the Soviet bloc destinations (except China and Korea) should include the following:

*a.* The United States should deny all items of strategic importance which contribute directly or indirectly to Soviet war potential, as well as any items in short supply (Positive List items).

*b.* A list should be developed of commodities of little or no strategic significance which can generally be approved where quantities are not excessive.

*c.* A presumption for denial should exist for all items not on either of the lists delineated above.

4. The Joint Chiefs of Staff note that the recommendations of NSC 104 do not include consideration of control of air transport in a program of "economic defense" or "economic warfare."

5. The Joint Chiefs of Staff attach major importance to the formulation of complete plans, susceptible of immediate implementation, for "economic defense" and for full-scale "offensive economic warfare" against the Soviet bloc. Implementation of these plans would be undertaken whenever it is determined to be in the interest of the United States to do so or in the event of general hostilities. In this connection, the Joint Chiefs of Staff would recommend that an agency be established to assume control of economic warfare and that such agency be given authority to assign specific operational responsibilities for all aspects of economic warfare.

For the Joint Chiefs of Staff
General Omar N. Bradley

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460.509/2–2151

*Memorandum by the Director of the Planning Staff of the Bureau of European Affairs (Labouisse) to the Secretary of State*

SECRET [Washington,] February 21, 1951.

Subject: Recommendation 3 of NSC 104 [1]

The following points may help to answer the questions you raised yesterday evening concerning the recommendation on NSC 91/1,[2] contained in NSC 104.

The intent of recommendation 3 is to permit flexibility in implementing 91/1 comparable to that already provided by the NSC in the procedure laid down in 94/1 for implementing the Cannon Amendment. It is not our intent to make 91/1 inoperative by this amendment.

As it is now drafted, NSC 91/1 requires that licenses be denied for shipments to cooperating friendly countries of 1–A items (i.e., items

[1] Dated February 12, p. 1023.

[2] NSC 91/1 of November 17, 1950, is printed in *Foreign Relations*, 1950, vol. IV, p. 227.

which the U.S. embargoes, but which have not been agreed for international control) unless assurances are received that identical items will be totally denied to Soviet bloc countries. A similar policy is laid down for the 1–B items. The determination also requires the application of a comparable policy to Sweden and Switzerland, including in these cases the List 1 commodities, since Sweden and Switzerland do not participate in the present international control arrangements.

A procedure has been proposed by the Secretary of Commerce for review of items on a country basis before taking action and therefore our suggestion that the determination in NSC 91/1 be qualified to provide that the general security objectives be taken into account is intended merely to make explicit the need for a procedure similar to that which we understand the Secretary of Commerce is in any case proposing to follow.

Specifically we propose that the determination in NSC 91/1 be qualified to provide "that the general security objectives of the United States be taken into account in determining whether action is required in specific cases." If however there should be opposition to this qualification or inadequate time to consider the question as thoroughly as other members of the NSC may consider necessary, it is recommended that the question be referred to the special East-West subcommittee for examination in the light of the substantial progress made in recent negotiations with other countries in Paris and London, and the need to avoid taking any action which will unnecessarily jeopardize further action along these lines.

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*Editorial Note*

When NSC 104 was discussed by the National Security Council, together with the Secretaries of the Interior, Agriculture, and Commerce, the Acting Secretary of the Treasury, the Administrator for Economic Cooperation, the Director of the Bureau of the Budget, and the Director of Defense Mobilization, during the Council's 84th Meeting on February 21, attention was largely focused on the revision of paragraph 2 of the "Recommendations on Substantive Measures" (Part II–A). The revision under discussion was Annex B to Assistant Secretary of State Thorp's memorandum to Secretary Acheson of February 20 (page 1051) which evolved out of a compromise between the Departments of State and Commerce. This revision of paragraph 2 was approved during the meeting subject to the deletion of the words "as an internal Watch List" requested by President Truman and a copy of the amended paragraph was circulated to members

of the Council as NSC 104/1 of February 21. The Secretary of Commerce was also instructed by the President to take appropriate action in light of the newly approved policy. The remainder of NSC 104 and the accompanying reference papers were sent to the Special Committee on East-West Trade for further study and revision. (NSC Record of Action 443, February 21; S/S–NSC (Miscellaneous) Files, Lot 66 D 95, Record of Actions–1951)

The Council, joined by the Secretary of Commerce, the Acting Secretary of the Treasury, the Administrator for Economic Cooperation, and the Director of Defense Mobilization, then approved the recommendations contained in paragraphs 2–*a*, –*b*, and –*c* of the memorandum by the Special Committee on East-West Trade which was circulated to members of the Council on February 8 (page 1018). (NSC Record of Action 444, February 21; S/S–NSC (Miscellaneous) Files, Lot 66 D 95, Record of Actions–1951)

On February 26, Executive Secretary of the National Security Council, James S. Lay, Jr., circulated a letter from Secretary of Commerce Sawyer to members of the Council in which Sawyer canceled the NSC 102 project in light of the approval by the Council and the President of NSC 104/1. (S/S–NSC Files, Lot 63 D 351, NSC 102 Series)

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*Editorial Note*

On February 28 the Coordinating Committee of the Paris Consultative Group (COCOM) met to hear a statement by the British delegation on behalf of the United States, France, and the United Kingdom on the question of security export controls in Sweden and Switzerland. The British representative proposed that each participating country should make it compulsory for exporters to Switzerland to exhibit a Swiss import certificate before granting an export license for items on the International Lists; he also proposed that each participating country should ask for an assurance from the Swedish Government that goods imported from them would not be re-exported or diverted to the Soviet bloc. COCOM accepted both of these recommendations and, in the case of Sweden, each participating country agreed to individually approach the Swedish Government to this end. These approved recommendations were referred to the Subcommittee of Experts on Transit Trade for their technical advice as to whether these proposals could be effectively applied and when the Subcommittee recommended the adoption of these procedures, COCOM formally adopted them at its meeting on March 5. (Paris despatch 2697 of March 20; 460.509/3–2051)

460.509/3-851

*The First Secretary of the Embassy in the United Kingdom (King)*[1] *to the Secretary of State*[2]

SECRET PARIS, March 8, 1951.

No. 2554

Subject: Relationship between the Consultative Group/Coordinating Committee and NATO

At the COCOM meeting of March 7 for further discussion of the COCOM Secretariat, including accommodations and budget (Embassy despatch No. 2568, March 9, 1951, not repeated London[3]), the Belgian delegate[4] stated that while he was without instructions it appeared on the basis of information available to him that NATO was now considering some of the same problems being considered by the Coordinating Committee. Thus, he said, before considering any definite budget for COCOM, delegates should ask the advice of their respective governments as to whether it was planned to establish any relationship between COCOM and NATO or to merge COCOM with NATO. He stated that he did not attach any particular significance to the fact that the German Federal Republic was represented in COCOM but not in NATO because it would be possible for the German Federal Republic to participate in export control work directed against the Soviet Bloc by means of a special NATO committee if COCOM was merged with NATO, or under the present arrangement if COCOM's work was linked with that of NATO.

The Danish delegate[4] said that it was his understanding that the question of moving NATO from London to Paris was under active consideration and if that took place COCOM work might be transferred to a special NATO committee.

The United Kingdom delegate[4] stated that there was substance in the remarks of the Danish and Belgian delegates. While he agreed that delegates should seek the views of their governments on these points, nevertheless in the interim the work of COCOM, including efficient functioning of its Secretariat should not be delayed.

The French delegate[4] stated that there was no doubt in his mind that COCOM should either be connected with NATO or should be abolished and its functions transferred to NATO. He said that he opposed this latter course because of the Excon experience COCOM

[1] Nat B. King served as United States Representative on COCOM and was the Embassy official in charge of matters pertaining to COCOM, the Consultative Group.

[2] Copy sent to London for USDep.

[3] Not printed.

[4] Not further identified.

has obtained in its more than a year of operation. The status of the German Federal Republic did present a question but he thought it could be resolved. The whole matter of the relationship of COCOM and NATO required, in his opinion, a quick decision to prevent two organizations from doing the same thing. In response to a query from the United Kingdom delegate as to what actually had been done in NATO that overlapped in COCOM functions, the French delegate gave a brief resume of the January action in the NATO Council of Deputies and the February action in the Defense Production Board with respect to the embargo to the Soviet Bloc of items needed for the defense of Western Europe.

The German delegate [5] stated that from what he had heard there appeared to be a need for coordination to prevent confusion between what was being done in NATO and what was being done in COCOM. The question remained, he said, as far as Germany is concerned, whether (1) NATO wanted Germany to become affiliated with NATO's work and (2) assuming that NATO wanted Germany to be affiliated, whether Germany desired such affiliation.

The Italian delegate [5] spoke of the need of coordination between the work of COCOM and NATO, pointing out by way of example that it had been proposed in NATO that "electric generator sets" be controlled. The question of definition of just what was meant by "electric generator sets" was, he said, an important problem as COCOM was fully aware from its past experience.*

It was agreed that the delegates would bring the possibility of conflict between the work of NATO and COCOM in the Excon field to the attention of their respective governments and that when the views of governments had been received the matter could be discussed further.

Separate and apart from the above, we have been informed that at its March 1, 1951 meeting,† the European Coordinating Committee made, among others, the following recommendations with respect to U.S. policy:

"*k*) Continued examination of East-West trade and economic warfare. Possibility of placing the Consultative Group and the Coordinating Committee under the NATO Finance and Economic Board and the European Excon Office under OSR should be considered."

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[5] Not further identified.

*The Italian delegate evidently referred to the list attached to DPB(51) 19, February 16, 1951, which we assume replaces the blanket list contained in DPB Secretariat Memorandum No. 43, February 13, 1951. [Footnote in the source text.]

†While not available to Excon, we are informed that ECC recommendations are contained in the following London telegrams: 4708, 4709, and 4710, March 1, and 4738, 4751 and Depto 581 March 2. [Footnote in the source text.]

*Action Requested:*

The Department's instructions on the above problem.[6]

NAT B. KING

[6] In telegram 5059 to Paris, March 27, the Department of State informed the Embassy that it considered it preferable to discourage discussion of the NATO matter in COCOM or at least to postpone further consideration of this problem. (460.509/3-2151)

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460.509/3-2351

*Memorandum by the Assistant Chief of the Economic Resources and Security Staff (Wright) to the Special Assistant to the Counselor of the Department of State (Kirlin)*

CONFIDENTIAL [WASHINGTON,] March 23, 1951.

Subject: Meeting with Mr. Roy Bullock, Staff Member of the Special Subcommittee of the House Foreign Affairs Committee

As arranged through your office on March 21, Mr. Bullock came to my office this morning to ask a number of questions concerning export controls and to outline briefly the type report he was to prepare for the use of the Battle Subcommittee. Mr. Bullock explained that the report should be completed by the middle of April and would be required to support any action the House Foreign Affairs Committee may take on H.R. 1939 and H.R. 1621 (to cut off financial and economic assistance to countries exporting "war material" to the Soviet Bloc).[1]

Mr. Bullock expressed special interest in ascertaining which part of the executive branch was responsible for the "grand strategy" in the field of economic relations with the Soviet Bloc, and what individual "master-minds" this East-West strategy. Although taking exception to Mr. Bullock's phraseology, I indicated that this office has primary jurisdiction for policy formulation in the trade security field in consultation with other Government agencies. I did not mention the current discussion in the NSC for the creation of a high-level strategy board in the State Department. Should such a board be established, however, it would undoubtedly reduce the number of such questions by Congress.

Mr. Bullock emphasized that East-West trade is a "hot" political issue and that the Battle Subcommittee does not intend to "whitewash" existing United States and allied controls without careful investigation. In this connection, Mr. Bullock stated he felt there was

[1] A Special Subcommittee of the House Foreign Affairs Committee, chaired by Laurie C. Battle of Alabama, began executive hearings on March 5 in order to examine the two House bills under reference. For information concerning the report of the Special Subcommittee, subsequently known as the Battle Report, see the editorial note, p. 1176.

entirely too much secrecy concerning export controls. Mr. Bullock expressed particular interest in British, German, and Japanese controls.

In the course of this hour-long conversation, a considerable amount of confidential information similar to that given by Mr. Thorp in executive session was discussed with Mr. Bullock. In view of the nature of the conversation and future requests for information Mr. Bullock may make to this office, I would like to suggest, if you think it appropriate, that you attempt to arange with Congressman Battle for informal submission of Mr. Bullock's report to the State Department in advance of distribution for review at least from a security standpoint.

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S/S–NSC Files, Lot 63 D 351, NSC 104–Reports

*Draft Statement of Policy Proposed by the National Security Council* [1]

SECRET [WASHINGTON, April 4, 1951.]

NSC 104/2

## U.S. POLICIES AND PROGRAMS IN THE ECONOMIC FIELD WHICH MAY AFFECT THE WAR POTENTIAL OF THE SOVIET BLOC

### EXPORT CONTROLS

1. The United States should, pending further developments, continue to prohibit all exports to Communist China, Manchuria and North Korea.

2. The United States should continue its present export licensing system over trade with the Soviet Union and its Eastern European satellites (the Soviet bloc) by requiring an export license for all products proposed for shipment to these areas.

3. The United States should continue to prohibit all exports destined for the Soviet bloc, whether shipped directly or indirectly, of all items of significance in the atomic energy field, all arms, ammunition and implements of war, and all items in short supply.

4. The policy for licensing other items for shipment from the United States to the Soviet bloc should be determined by their strategic value to the Soviet bloc. Accordingly, licenses for the shipment from the United States of commodities on the Positive List which are in the primary strategic category and which are destined for such

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[1] The source text, along with a cover sheet and a memorandum by Lay, was circulated to members of the National Security Council as NSC 104/2. It was drafted by the NSC Staff with the aid of members from the Departments of the Interior, Agriculture, and Commerce, the Economic Cooperation Administration, and the Bureau of the Budget pursuant to NSC Action 443 (see editorial note, p. 1054). Paragraphs 2, 3, 4, 5, and 6 were intended to supersede the current policy on export controls contained in NSC 104/1.

areas, whether shipped directly or indirectly, shall be denied; and licenses for the shipment of other items on the Positive List shall be denied to the extent necessary to prevent shipments of strategic significance as determined by the Secretary of Commerce with the advice of the Advisory Committee on Export Policy. There shall be a general policy of approval of licenses for the shipment of all other items destined for such areas, provided that particular shipments may at any time be reduced or denied and particular classes of commodities subjected to a more restrictive licensing policy as determined by the Secretary of Commerce with the advice of the Advisory Committee on Export Policy.

5. The United States should continue to provide leadership in the strengthening of the security controls of the Western European countries over their exports to the Soviet bloc. In seeking the strengthening of Western European security controls, the United States should be governed by the strategic significance to the Soviet bloc of the commodity concerned, and by considerations as to the political feasibility, the military risk, and the economic cost of such action to the Western European countries concerned. The COCOM countries of Western Europe* have already agreed to prohibit the export to the Soviet bloc of a wide list of commodities of primary strategic significance (the so-called International List I). They have also agreed to certain quantitative controls to such areas for a list of commodities of secondary strategic importance together with certain items regarded by the United States as of primary strategic importance (the so-called International List II). The United States should continue to press the Western European countries:

*a.* To embargo shipments to the Soviet bloc of scarce materials or equipment needed for Western defense program.

*b.* To embargo or to continue to embargo shipments to the Soviet bloc of items on International List I.

*c.* To add to International List I any items of primary strategic significance which, in the light of new information, could then be urged upon the Western European countries as having comparable importance with the items already on List I.

*d.* To limit exports by COCOM countries to the Soviet bloc of items on International List II to a level determined to be in accord with the common security interests.

*e.* To add to International List II any items which, in the light of new information as to its strategic value to the Soviet bloc or as to the level of trade which is taking place, could now be urged upon the Western European countries as having comparable importance with the items already on List II.

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*In addition to the United States and Canada, the Consultative Group and its Coordinating Committee include the German Federal Republic and the following NATO countries: the United Kingdom, France, Italy, Belgium, Netherlands, Luxembourg, Norway and Denmark. [Footnote in the source text.]

*f.* To institute more effective international controls over transshipments and illegal trade.

*g.* To take measures to minimize past and future trade agreement commitments to supply goods of strategic importance.

*h.* To take measures to promote coordination in their trade agreement negotiations with the East.

*i.* To improve the organizational arrangements in COCOM and in the NATO to further these objectives.

6. The policy for licensing shipments from the United States of items destined for Western Europe shall be governed by the overall security interests of the United States. Accordingly, the general policy of the United States should be to approve exports to Western Europe, except that the United States should continue the policy and procedures set forth in NSC 91/1, with the following modifications:

*a.* Licenses should be denied, under paragraphs 1–*a* and 1–*b* of NSC 91/1, for export to COCOM countries of any item of primary or secondary strategic significance only if:

(1) The effectiveness of such action in reducing export of the item from the COCOM country to the Soviet bloc would be of greater significance to the security interests of the United States than the significance of the adverse effects of the denial upon the COCOM country concerned, and if

(2) In these cases the United States fails to receive assurances that the COCOM country will embargo items of primary strategic significance, or limit to a mutually agreed level shipments of secondary strategic significance to the Soviet bloc.

In considering the adverse effects on Western European countries of denial of U.S. licenses, the United States shall consider, among other things, the need for strengthening the Western European economy and defense program, and the need for maintaining the cooperation of Western European governments in the common defense effort.

In asking for assurances from Western European governments with respect to the export of strategic items to the Soviet bloc, an assurance shall normally be requested to cover the item as defined in U.S. security lists; but, where a listing includes commodities distinctly different from the item in question, assurances shall be asked on only that part of the definition which covers the prospective export and other commodities within the listing, if any, which could be substituted for it with reasonably equal effect.

*b.* Licenses will be denied for shipment of List I commodities to Switzerland in the absence of assurances that such items will be embargoed to the Soviet bloc.† Shipments to Switzerland of other items of primary strategic significance will be treated in the same manner as shipments of such items to the COCOM countries.

*c.* Licenses will be denied for shipment of List I commodities to Sweden in the absence of assurances that such items will be embargoed to the Soviet bloc.† Shipments to Sweden of other items of primary

†Subject to the authority of the Secretary of Commerce, with the advice of ACEP, to approve exceptional cases. [Footnote in the source text.]

549-782—79——68

strategic significance will be treated in the same manner as shipments of such items to the COCOM countries. The policy set forth in this subparagraph should be initiated as soon as practicable without prejudicing the successful outcome of current negotiations.

7. The United States either alone or in association with the British and French Governments, should press for further action by the Federal German Republic to ensure more effective control over the illegal trade and transshipment of goods agreed for control in COCOM.

8. The United States should seek the further cooperation of the American Republics and where necessary that of other countries in applying export controls to direct shipments and transshipments to the Soviet bloc of items of strategic significance or in short supply.

9. The United States, in view of the Chinese Communist aggression in Korea, should press for the application of such international control measures as will be effective in diminishing the Chinese Communist potential for military aggression. Its effort through the United Nations and other channels should be directed to seeking, on a cooperative basis, the application by the maximum number of friendly countries of such controls for this purpose as the United States considers would be in the common security interest.

10. Multilateral arrangements among free world countries for the equitable distribution of materials in short supply should be used by the United States to the greatest practicable extent, to deny or limit shipment to the Soviet bloc.

PRECLUSIVE OPERATIONS

11. Arrangements for governmental procurement of commodities in short supply, including government-to-government purchase agreements, should be designed in such a way as to deny or limit shipments, to the Soviet bloc, to the extent that this would not interfere with the primary procurement purpose of the arrangement.

12. The United States should give immediate consideration to the desirability and feasibility of denying strategic materials to the Soviet bloc through preclusive buying (in addition to preclusive arrangements arising from government-to-government agreements under paragraph 11 above) and through the preemption of productive facilities. Efforts to preempt industrial capacity should be directed primarily at capacity capable of producing critical manufactured products, particularly those requiring large amounts of skilled labor, in countries which do not voluntarily prohibit the movement of these products to the Soviet bloc. Preclusive and preemptive operations

should normally be used only where export and shipping controls, allocations and normal purchase mechanisms are not effective.

FINANCIAL MEASURES

13. The United States should determine the point at which export controls have become so restrictive and other economic and political relations so curtailed that blocking of the dollars and dollar transactions of the USSR and its satellites would be appropriate.

14. Continued study should be given to the subject of gold with a view to evaluating measures of international cooperation which might prove fruitful in reducing the ability of the Soviet bloc to utilize gold.

BLACKLISTING

15. It would be undesirable at this time to publish a "blacklist" or "proclaimed list". However, to assist in tightening the enforcement of existing export and other controls and as a preliminary step in preparing a more formal "blacklist", arrangements should be made to develop a central file of information on individuals, firms and corporations suspected of evading U.S. or international controls.

TECHNOLOGY

16. The United States should sponsor measures to strengthen security controls of plants and factories employing advanced technological processes.

17. The United States should press for more effective action by COCOM countries to implement their agreement that "the object of the embargo or quantitative controls should not be defeated by the export of technical assistance, design data, manufacturing technique, and specialized tools for making any controlled items."

18. The United States should develop further programs to prevent the export of advanced technological information to the Soviet bloc, including export achieved through the movement of persons, and should enlist the cooperation of other countries in this effort. These programs should be devised in such a way as to create the least possible impediment to the exchange of such information among the nations of the free world.

SHIPPING

19. The United States should seek agreement with all non-Soviet bloc countries having substantial air cargo and maritime resources to control their shipping and air traffic, in so far as it relates to the movement of goods to or within the Soviet bloc with a view to prohibiting the carriage of goods which are the subject of embargo.

20. The United States should explore, and, if feasible and desirable, institute, in cooperation with other major maritime and air cargo

powers, a system of ship warrants, and a similar system for air cargo control, under which port and bunkering facilities, access to insurance, etc., would be denied to operators who do not cooperate in controls on the movement of prohibited goods.

DECREASING RELIANCE ON TRADE WITH THE SOVIET BLOC

21. The United States, with the aid of friendly countries should take such steps as are practicable to develop alternative sources of supply of important basic materials required by the free world and now being obtained from the Soviet bloc.

22. The bargaining position of friendly countries which now rely on the Soviet bloc for essential materials should be strengthened by making alternative sources for these materials in the free world more readily available. To this end, policies governing allocations of and export controls on short supply items and economic assistance should be so designed as not to forceclose shifts to U.S. and allied sources by friendly countries. International cooperation should be generally sought on grounds of mutual security. Supply or financial assistance should be committed as a means of obtaining such cooperation only on a highly selective basis where important security considerations warrant it.

23. A more comprehensive analysis than has so far been possible should be made to determine what specific products or services now being offered by the free world to the Soviet bloc could and should be diverted to other countries of the free world. This analysis should point out (*a*) how productive capacity might be reoriented to provide materials needed by the free world, (*b*) to what extent the diversion will require the reduction of such obstacles as high tariffs, quotas, and shipping discrimination, and (*c*) to what extent such reorientation is desirable. Further study should also be given to the possible need for government purchasing of goods abroad now marketed in the Soviet bloc which can only be disposed of in the free world at a loss.

IMPORTS

24. The United States should give prompt study and consideration to the need for controls on imports from the Soviet bloc for economic defense purposes, and should be prepared to institute such controls if and when they prove necessary.[3]

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[3] In a memorandum by the Joint Chiefs of Staff to the Secretary of Defense of April 10, which was circulated to members of the National Security Council under cover of a memorandum by Lay that same day, no objection was raised from the military point of view to those United States policies proposed in the source text. The JCS urged that the policies be applied stringently and that new methods be sought to curtail exports to Eastern Europe and the Soviet Union. (S/S–NSC Files, Lot 63 D 351, NSC 104–Memoranda)

S/S–NSC Files, Lot 63 D 351, NSC 104–Memoranda

*Memorandum by the Deputy Assistant Secretary of State for Economic Affairs (Linder)* [1] *to the Secretary of State* [2]

SECRET [WASHINGTON,] April 9, 1951.

Subject: NSC 104/2: "United States Policies and Programs in the Economic Field Which May Affect the War Potential of the Soviet Bloc" [3]

NSC 104/2 contains a revised version of the substantive recommendations which were originally included in the Department's recommendations to the President on "United States Policies and Programs in the Economic Field Which May Affect the War Potential of the Soviet Bloc" (NSC 104). You will recall that the National Security Council at the time NSC 104 first came before it approved the recommendation that all United States exports to the Soviet Union be brought under export licensing control and referred the remainder of the recommendation to the Special Committee on East-West Trade. As a result of the discussions in the East-West Trade Committee and in the Senior Staff, a number of recommendations have been spelled out in considerably greater detail. The recommendations as they now stand in NSC 104/2 represent full agreement of the departments and agencies represented on the Committee. Although in revising the recommendations certain modifications were made to meet the views of other agencies, it is believed that all essential points in the Department's original recommendation have been retained.

The one issue on which there has been disagreement (the treatment of United States exports to Hong Kong) has been omitted from NSC 104/2 and will be the subject of a separate report to the National Security Council. This problem is currently under discussion with the Department of Commerce pursuant to Mr. Sawyer's letter of March 30, attached as Tab A.[4] It appears likely that a satisfactory solution to the Hong Kong problem will be possible in the near future.

NSC 104/2 does not deal with the Department's "Recommendation as to Organization" included as Part II–B of NSC 104. This aspect of NSC 104 is still under review by the Bureau of the Budget, and none of the other departments or agencies has taken a position on the proposal for a strategy board under the direction of the Department of State.

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[1] Harold Linder replaced Thorp as the Department of State representative on the Special Committee on East-West Trade in February and was designated as the officer "primarily responsible for our activities in the economic defense field." (Memorandum by Thorp, February 26, 460.509/2–2651)

[2] Drafted jointly by Robert B. Wright of the Office of Economic Defense and Trade Policy (EDT) and by Miriam Camp.

[3] *Supra.*

[4] Not printed.

Mr. Lay's recommendation in NSC 104/2 is, however, consistent with the Department's recommendation for such a board. Mr. Lay recommends that, if NSC 104/2 is adopted, the President direct its implementation by all appropriate departments and agencies "under the coordination of the Secretary of State", pending action on the "Recommendations as to Organization".

While there is no disagreed issue on any of the recommendations in NSC 104/2, the following comments summarize the important aspects of those recommendations which have been the principal subject of discussion within the Special Committee on East-West Trade.

I. *Export Control Recommendations* (Recommendations 1 through 6)

These recommendations have been carefully revised to cover all aspects of the security export control problem, including clarification of the policy to be applied to United States exports to Western European countries as set forth in NSC 91/1. The revised recommendations are a synthesis of all aspects of this problem and should serve as a satisfactory framework within which the three separate parts of our policy discussed below can be intelligently related to each other. This framework will be satisfactory only if a rule of reason is applied at all points in the procedure. It will function properly if there is real willingness on the part of all agencies to administer the policy in our own best national interest with full realization that the United States cannot expect by its controls to force the creation in other countries of export control policies identical with our own. If it develops that the policy, particularly that aspect included in Recommendation 6, is not working out reasonably and is on balance harming our cooperative defense effort, the policy may have to be reopened.

Three separate aspects of export control policy have been differentiated: *first*, the treatment by the United States of our exports to the Soviet Bloc; *second*, the policy which should guide our discussions with Western European countries with respect to their export controls; *third*, the treatment by the United States of our exports to Western Europe.

A. *United States Policy towards the Soviet Bloc* (Recommendations 1 through 4)

These recommendations provide for a policy which is formally more severe than that previously in effect but which actually does not go far beyond the practice which has been followed for some time. Recommendations 1 and 3 reaffirm existing policy. Recommendation 2 has already been put into effect. Recommendation 4 provides that all Positive List items (including strategic and short supply items) shall as a general rule be denied, subject to an exception which permits the possibility of approvals in order to provide the Economic Cooperation Administration with flexibility concerning its Section 117(*d*)

problem.* Other items which are not on the Positive List, but for which export licenses to the Soviet Bloc are now required, would be generally approved, but with the possibility of more restrictive policy for particular classes of commodities.

The Department feels that the rigid control provided for Positive List items adequately protects our security interests and that the more liberal policy recommended for non-Positive List items is important if our action is not to be misinterpreted by the rest of the world as an embargo and if our ability to obtain cooperation in security controls is not to be jeopardized.

B. *Western European Export Controls* (Recommendation 5)

The intent of this recommendation is to make it clear that the policy governing our negotiations with Western Europe for multilateral export controls is not merely an automatic extension of the United States policy towards the Soviet Bloc. It should rather be determined by "the strategic significance to the Soviet Bloc of the commodity concerned, and by considerations as to the political feasibility, the military risk, and the economic cost of such action to the Western European country concerned". Strategic items would be negotiated for multilateral control in future only if there is new information as to the strategic value of the item to the Soviet Bloc and if the item is comparable in importance and in kind to those already on the agreed International Lists.

C. *United States Export Policy Towards Western Europe* (Recommendation 6)

This recommendation clarifies and in effect amends NSC 91/1. It makes clear that the general policy of the United States should be to approve exports to Western Europe except under defined circumstances. Denial of an export to Western Europe would take place only after (1) an attempt had been made to obtain from the Western European country concerned, an assurance against its export of like items, or information as to why such assurances would be impossible, and (2) an evaluation of this information had been made in order to permit a judgment as to whether approval or denial would under the particular circumstances be more in our national interest. In determining the national interest, full account would be taken of the "need for strengthening the Western European economy and defense program, and the need for maintaining the cooperation of Western European governments in the common defense effort". We believe this flexibility in interpretation of NSC 91/1 is highly desirable. NSC 91/1 as originally drafted would, if strictly interpreted, require us

*Section 117(*d*) of the Economic Cooperation Act provides that the ECA must refuse the delivery to a participating country of a commodity which would go into the production of an end product for export to the Soviet Bloc if the end product were the same kind of product denied export licenses to the Soviet Bloc by the United States. [Footnote in the source text.]

to cut off shipments to Western Europe in cases where the connection between United States exports and Western European shipments to the Soviet Bloc was extremely tenuous and where it was clearly detrimental to the economy of the Western European country for us to take action.

With respect to the treatment to be accorded Sweden and Switzerland, NSC 91/1 prescribed a more stringent policy than that to be applied to other Western European countries. The present recommendation provides the same treatment for Sweden and Switzerland as that provided for other Western European countries, except that there would be automatic denial to Sweden and Switzerland of items on International List I (the embargo list to which the Consultative Group countries have agreed) in the absence of assurance against shipment of the same items to the Soviet Bloc. Allowance is made for negotiating flexibility in carrying out this policy with respect to Sweden since security export control discussions are currently in progress.

II. *Approach to American Republics* (Recommendation 8)

This recommendation that we seek the cooperation of the American Republics in applying export controls to the Soviet Bloc has already been taken care of by action at the recent Foreign Ministers' meeting at which the subject of security export controls was discussed.

III. *Economic Sanctions Against China* (Recommendation 9)

This recommendation has been revised since it originally was placed in NSC 104. It now expresses a general goal for action to be sought in obtaining international control measures to diminish the Chinese Communist military potential. While the recommendation specifies steps that should be taken through the United Nations, the action is not intended to be limited to the United Nations channels. Since our objective is to obtain as wide an agreement as possible over controls affecting China, it seems more effective to limit our approach to controlling a selective group of strategic commodities which would enable a large number of countries to join in a common security effort, rather than to propose a complete embargo which would be so severe a measure that it would probably not command wide support by a large number of other countries.

IV. *Financial Measures* (Recommendation 13)

No agency regarded it as desirable to impose financial controls immediately. This recommendation, therefore, is designed to keep the question of financial measures under review.

V. *Shipping* (Recommendations 19 and 20)

The Defense Department has been particularly interested in these recommendations. The subject was mentioned at the recent Foreign

Ministers' meeting, and is under consideration for discussion within the North Atlantic Treaty Organization. However, the Departments concerned feel that additional study is required, particularly with respect to Recommendation 20 before further action is taken.

VI. *Decreasing Reliance on Trade with the Soviet Bloc* (Recommendations 21, 22 and 23)

There was considerable discussion in the Special Committee on East-West Trade as to the extent to which financial assistance should be committed to re-orient trade movements from the East. The principles set forth in these recommendations have been agreed to but further study is required before a more specific program can be outlined.

VII. *Imports* (Recommendation 24)

This is a new recommendation which was not originally included in NSC 104. It was added in accordance with a recommendation made by Mr. Harriman in a memorandum dated March 6, 1951,[5] and because it appeared that a comprehensive series of recommendations such as that contained in this Report should properly propose some course of action on import controls.

[5] Not printed. The memorandum by W. Averell Harriman, dated March 1, was circulated to members of the National Security Council under cover of a memorandum by Lay of March 6. Harriman's memorandum recommended that an investigation of the subject of import controls be undertaken and completed as soon as possible. (S/S–NSC Files, Lot 63 D 351, NSC 104–Memoranda)

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*Editorial Note*

During the 88th Meeting of the National Security Council on April 11, NSC 104/2 was adopted without change by the Council together with the Secretaries of the Interior, Agriculture, Treasury, and Commerce, the Acting Administrator for Economic Cooperation, the Director of the Bureau of the Budget, and the Director of Defense Mobilization. In addition, the NSC Senior Staff and the Special Committee on East-West Trade were complimented "for the manner in which the staff work had been done." (NSC Record of Action 457, April 11; S/S–NSC (Miscellaneous) Files, Lot 66 D 95, Record of Actions–1951)

On April 12, President Truman approved NSC 104/2 pending action on the "Recommendations as to Organization" contained in Part II–*b* of NSC 104 in the light of the staff study currently being undertaken by the Director of the Bureau of the Budget. The President noted that paragraphs 2, 3, 4, 5, and 6 in NSC 104/2 supersede current policy as stated in NSC 104/1. (Memorandum by Lay, April 12; S/S–NSC Files, Lot 63 D 351, NSC 104–Memoranda)

460.509/4-2651 : Telegram

*The Ambassador in France (Bruce) to the Embassy in the United Kingdom*

SECRET PARIS, April 26, 1951—7 p. m.

1666. Excon. Pass to USDep.

1. QC proposal and NATO action on commodities in short supply and urgently needed for def discussed today by King and Camp with Pink [1] UK CG del. Reaction of UK and US COCOM dels to QC proposal will be telegraphed separately in next day or two.

2. We have agreed with UK that NATO proposal is separable from QC proposal and that in view action already taken by DPB and presence of item on deps agenda decision as to future procedure in NATO urgently required.

3. On basis conversation today with Pink who had before him letter from Berthoud [2] written subsequent Camp–Moore [3] conversation it appears that Brit firm in view that no link shld be established between NATO and COCOM. Separation based on desire to keep NATO free from any taint of "econ warfare". We indicated personal view that security export controls and mobilization 2 interrelated aspects def and that link need not "taint" NATO. However, we indicated willingness to avoid any direct connection between 2 organizations at this time and readiness to agree procedure whereby NATO deputies wld request govts to take appropriate action, presumably embargo, with respect items certified by DPB to be in short supply and urgently needed for def and to leave it to govts to raise in COCOM question of precise treatment to be accorded individual items if exceptions from gen recommendation required.

4. We and UK appear to be in agmt on fol points:

*a.* DPB shld be requested to be more precise both as to definition and as to quantities of items in short supply. For example it is not enough for DPB to say that aluminum is short unless it indicates whether aluminum of all types, finished and unfinished, is in short supply in all countries or only certain specialized semi-manufactured products in particular countries.

*b.* In essence, DPB shld recommend that from standpoint of def needs alone desirable that exports to Eastern Eur shld be embargoed. It shld be made clear to NATO countries that DPB action not definitive recommendation as to action to be taken but simply a recommendation as to action which wld be desirable if no other factor than def requirements on the commodity in question were under consideration.

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[1] Ivor T. M. Pink, member of the British Delegation to COCOM.

[2] Eric A. Berthoud, Assistant Under-Secretary of State in the British Foreign Ministry.

[3] Ben T. Moore, Deputy Economic Counselor in the Embassy in London.

*c.* NATO countries shld understand that DPB embargo recommendation may then be considered by some other body to determine whether exceptions for gen rule of embargo are required in order to permit particular transactions of obvious advantage to the West—e.g. Norwegian aluminum case.

5. We strongly urged that COCOM be body to consider exceptions. UK apparently inclined toward special subcomite of deps. We believe UK reps in London less prepared to burden NATO with decisions as to exceptions than is UK rep here and suggest therefore that further discussions take place with UK FonOff, presumably Berthoud on his return to London.

Sent London 1666, rptd info Department 6528.

BRUCE

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740.5/5–351 : Telegram

*The Ambassador in the United Kingdom (Gifford) to the Secretary of State*

SECRET PRIORITY LONDON, May 3, 1951—11 a. m.

5715. Excon.

1. In accordance with suggestion in para 5 Paris tel 1666 Apr 26 (rptd Dept 6528)[1] Emb and USDep staff reps had further discussion with Berthoud. He had not yet recd report of conversation between King, Camp and Pink. He agreed, however, that UK wld be prepared to support strongly proposals in paras 4*a* and 4*b* reftel but that problem arose over question of what body shld consider exceptions to NATO embargo recommendation. He suggested possibility that CD might refer this question to FEB and that since FEB will be located in Paris it cld work in liaison with COCOM. He did not appear to have any very precise arrangement in mind but seemed to be willing to have CD take action which wld give FEB responsibility for ensuring that effective action was taken on problem.

2. He repeated arguments that persuaded us that COCOM shld be body to consider exceptions and made point that since a number of items on DPB list are also on internatl list II these wld have to be considered in COCOM in any event. We asked Berthoud to state Brit reasons for objecting to COCOM consideration. He pointed out that some of items on DPB list were not on any internatl list and therefore presumably shld be controlled on short supply rather than security grounds. Furthermore, there was a problem of limiting exports of items on DPB list not just to Sov bloc but also to non-NATO countries outside Sov bloc.

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[1] *Supra.*

Introduction of these aspects into COCOM wld change basis of its operations and wld require careful negotiation if it were decided to undertake this change. He also mentioned difficulty that Ger was member of COCOM but not of NATO and that introduction of short supply operation into COCOM wld complicate efforts to associate Sweden and Switz with work of that body. He said that if agrmt to handle quantitative controls on basis new proposal outlined by Camp cld be reached in COCOM prior to action in CD these difficulties wld lose their force.

3. We pointed out that our proposal on quantitative controls and on CD action on short supply problem was in effect package proposal and that our purpose was to discuss it as such with Brit and Fr and upon obtaining their agrmt to take necessary action separately in NATO and in COCOM. We agreed, however, to obtain reaction of Dept and US COCOM del to Brit proposal for using FEB.

4. In light of CD discussion this subj (see Depto 862, Apr 30)[2] we think there is likely to be considerable support for FEB proposal from other countries as well as UK and that, at least for time being, it will be difficult to negotiate in framework of CD informal agrmt that COCOM shld be body to consider exceptions to embargo. We think that action by CD which covers point in para 4*b* reftel but leaves entirely in air question of what body is responsible for implementation is undesirable. Consequently, we shld appreciate reaction to resolution by CD which wld assign responsibility to FEB. We believe any such resolution shld authorize FEB undertake specific task of seeking agrmt on governmental actions to embargo or otherwise restrict exports to Sov bloc of DPB-designated materials. We wld not favor merely asking FEB to prepare econ studies to guide further CD action, nor do we believe FEB shld consider restricting exports to non-NATO countries outside Sov bloc.

5. We cld also try to obtain informal agrmt that FEB wld make as much use as possible of COCOM machinery. Perhaps it wld be possible for FEB to agree on complete embargo of a few short supply items. This cld be done without interfering unduly with COCOM operation. We feel strongly, however, that in practice it will be found completely unworkable to have two separate bodies dealing with questions of coordinating trade agrmts, assigning quotas, or reducing amounts of items (controlled on either security or short supply grounds) to minimum required to obtain essential items from East. Since COCOM has obviously superior background and experience

[2] Not printed; it summarized the 33d meeting of the Council Deputies of April 30 during which preliminary consideration of the DPB report on the use of export controls to insure supplies for North Atlantic Treaty countries' military production (NATO Document D(51) 94 of April 10) took place. (740.5/4-3051)

in this field this work shld be moved to that agency at appropriate time.

6. Next step wld appear to be effort to get agrmt by Brit, Fr and ourselves on specific language for CD resolution. Question is whether to introduce FEB aspect into resolution or omit it and make further attempt to obtain informal agrmt on COCOM. We wld appreciate State–ECA views and those of Emb Paris and OSR urgently in anticipation next CD discussion May 7.[3]

Sent Dept 5715, rptd Paris 2196 (for OSR).

GIFFORD

[3] In telegram 6701 from Paris, May 4, the Embassy stated its view that the FEB should be the forum for considering exemptions in the embargo of exports to the Soviet bloc. (460.509/5–451)

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*Editorial Note*

On May 9, James P. Kem, United States Senator from Missouri, introduced an amendment to the Third Supplemental Appropriation Act (H.R. 3587) which would deny further economic aid to any country which shipped materials of war to the Soviet Union, China, or any Soviet satellite. The following day the amendment, which Kem described as identical to the Wherry Resolution, was approved by the Senate without objection and sent to the House. On May 18 a Senate–House conference on the Third Supplemental Appropriation Bill resolved to favor denying economic aid to any country which sent arms or military matériels to the Soviet bloc subject to exceptions made by the President on the advice of the National Security Council. The Kem Amendment, as revised by the joint conference, was unanimously approved along with the Third Supplemental Appropriation Bill by both Houses of Congress on May 21. President Truman protested against the Kem Amendment but signed the appropriation bill on June 2. For the text of the Kem Amendment and the subsequent discussion of the amendment in Congress, see the *Congressional Record*, vol. 97, pt. 4, pages 5100–5102, 5195–5199, and 5507–5514. For the text of President Truman's statement of June 2, see *Public Papers of the Presidents of the United States: Harry S. Truman, 1951*, pages 316–320.

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460.509/5–1051 : Circular telegram

*The Secretary of State to Certain Diplomatic Offices* [1]

SECRET NIACT WASHINGTON, May 10, 1951—midnight.

693. Excon. Senate in surprise move today unanimously adopted amendment to Third Supplemental Appropriations Bill which would

[1] Drafted by the Deputy Director of the Office of Economic Defense and Trade Policy, (formerly the Office of International Trade Policy) John M. Leddy, and cleared in substance with EUR and H; sent to London, Paris, Rome, Brussels, The Hague, Oslo, Copenhagen, Lisbon, Frankfurt, and Ottawa.

prohibit US economic or financial aid to any country which exports to Sovbloc any war matériel or commodities certified by Sec Defense as of possible use in mfr of war matériel and directs Sec Defense make such certification.

In debate Senate indicated extreme dissatisfaction with operation Cannon amendment and instructed conferees to agree to no changes in conference which wld give Administration discretion continue fon aid to countries failing embargo export to Sovbloc of items falling within very broad definition provided in bill.[2]

This action is in substantial part result of inability of US Govt hitherto make available to public and Congress facts as to extent of cooperation among US and Western European countries in controlling trade in strategic items with Sovbloc. No amount of general explanation and argument, without facts to back them up, will convince Congress and people that WE in fact cooperating effectively in this field.

Dept considers there is no real hope of entirely eliminating Senate amendment in conference, but that there is some chance of limiting scope of amendment to items of direct strategic importance. In order accomplish even this, however, Dept believes it essential make public *a*) fact of existence of CG/COCOM, *b*) membership of CG/COCOM, and *c*) detailed description of items on IL I and possibly IL II. Accordingly, Dept giving urgent consideration desirability of immediate publication, possibly by National Security Council or by Pres, of factual report setting forth such info together with US policy in export control field. Report wld also point out extent to which WE and other parts of free world dependent on obtaining supplies basic materials and strategic items from Sovbloc. In order be effective, report shld be published over week-end in view probability House and Senate conferees will meet Mon, May 14.

Pls approach FonOff immediately this matter and make strongest possible effort overcome objections course of action outlined above.

This supersedes Depcirtel 683, May 10.[3]

ACHESON

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[2] For information concerning the Kem Amendment under reference here, see the editorial note, *supra*.

[3] Circular telegram 683, not printed, which was transmitted 11 hours earlier than the source text, was drafted in the Office of European Regional Affairs; and requested each mission to secure permission from the Foreign Ministry of their respective countries to publish information of a general nature concerning the activities of COCOM. Unlike the source text, this telegram stated that the Department of State would try not to reveal the names of the participating countries unless pressed and that the contents of the international lists would not be revealed. (460.509/5–1051)

460.509/5–1251 : Circular telegram

*The Secretary of State to Certain Diplomatic Offices* [1]

SECRET PRIORITY WASHINGTON, May 12, 1951—9 p. m.

705. Excon. Roundup on Depcirtel 693 : [2]

1. Replies recd [3] reftel as fol :

(*a*) UK. If publication essential UK agrees provided List II not published and provided other PCs concur.

(*b*) France. Strongly objects on grounds adverse effect on Fr elections and four power discussions. Bonnet called on Secty today to reiterate objections expressed Paris. Secty pointed out extreme seriousness Sen amendment and difficult position USGovt defend WE against charges of inaction if unable present facts. Secty concluded by saying that if becomes apparent that publication necessary in order permit continuance of econ aid, US hopes Fr will not maintain its objections.

(*c*) FedRep, Can, Den agree provided other PCs concur.

(*d*) Neth agrees with reserve on List II prov other PCs concur. Considers public statement shld make clear extent to which WE depends on supplies from Sov sphere.

(*e*) Belg agrees. Considers statement shld make clear exceptions from List I agreed in order permit honoring existing obligations. Dept assumes Belg reply also covers Lux.

(*f*) Nor. No final reply pending return FonMin Oslo May 13. FonOff SecGen stated personal view Nor wld reluctantly concur if "great powers" agree but wld prob reserve position on List II.

(*g*) Italy. No reply yet recd.[4]

2. Dept ECA Commerce and Defense have now prepared report mentioned cirtel 693. Report begins with introd arguing strongly against adoption Sen amendment, points to econ dependence WE on basic supplies (coal grain timber etc) from Sovbloc and shows adverse effect total embargo on WE economy and common defense program. States FedRep and Aus physically incapable meeting requirements of amendment and hence aid these areas wld have to be terminated, thus undermining their econ stability and polit independence. Also points out Amend wld gravely impair or destroy Point IV, Eximbank and other programs to aid underdeveloped areas.

3. Factual part of statement describes estab export control by WE in 1948, estab COCOM in late 1949, gives membership COCOM, describes increase in control lists, esp after Korea and gives general

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[1] Drafted by Leddy and cleared with Ainsworth ; sent to London, Paris, Rome, Brussels, The Hague, Oslo, Copenhagen, Lisbon, Frankfurt, and Ottawa.

[2] *Supra.*

[3] The telegraphic replies from the various embassies, which are summarized in the source text, are in Department of State file 460.509.

[4] In the margin of the source text, a handwritten insert reads as follows: "Opposed on previous grounds plus fears connection forthcoming elections, but reluctantly agrees such further publicity as absolutely essential achieve purpose."

description of nature of lists with illustrations along lines statement Shawcross to Commons May 10.[5] Present intention is that detailed items IL I and IL II will not be released to public (subject para 3, below). Report will state, however, that lists will be shown in confidence to interested Congressmen. Report then compares scope COCOM lists with US controls, pointing out IL I covers 90 percent of items subject to absolute embargo from US. Re IL II report states shipment these items in non-strategic amounts necessary for WE obtain supplies in return from Sovbloc, and that discussions continuing through COCOM machinery re special measures to bring about further limitation these items. Re China report explains COCOM lists also apply Commie China and that Hong Kong controls more stringent than those of any other country except US, Can and Jap. Sets forth US view that free world controls against China shld go further but that other countries unpersuaded wisdom US position in light their own judgment as to possible mil and polit consequences complete stoppage. Refers US resolution in AMC of UN and fact that UK will support. Re rubber, report states 90 percent world production goes to free world, but US view is that shipments Sovbloc excessive in relation peaceful needs. States that UK has placed rubber under restriction and embargoed shipments to China for balance 1951. Re petroleum points out that virtually all shipments from free world to Sovbloc cut off. Winds up with statement that Natl Security Council in Dec 1950 was of opinion that action to cut off aid under Cannon amendment was not then called for and wld be contrary US security interests.

3. For time being report outlined para 2 will be classified confidential. Plan is to present report to Senate–House conferees, other members of Congress early next week for their info.[6] Report will not be made public unless necessary obtain modification Senate amendment. Dept hopes IL I need not be published in any event but this may become necessary.

ACHESON

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[5] For extracts from the speech by Sir Hartley Shawcross, President of the British Board of Trade, given to the House of Commons concerning British trade with the People's Republic of China, see Folliot, *Documents on International Affairs, 1951*, pp. 562–570.

[6] The Department of State informed the Embassy in Paris that the report under reference was given to various Congressional committees on a confidential basis on Monday morning, May 14. According to telegram 6079 to Paris, May 14, the Department intended to keep publicity at a minimum, especially overseas, to release its statement publicly only if necessary, and to publish the details of List I only as a last resort. (460.509/5–1451)

S/P–NSC Files, Lot 62 D 1, NSC 94 Series

*Memorandum by the Special Committee on East–West Trade to the National Security Council*[1]

SECRET [WASHINGTON, May 16, 1951.]

TRADE BETWEEN THE SOVIET BLOC AND SWEDEN AND SWITZERLAND
(NSC Determination No. 2)

1. NSC 94/1,[2] approved December 21, 1950, called for examination of the trade relations between Soviet bloc and non-Soviet bloc countries, particularly those receiving U.S. economic and financial assistance, and directed the Special Committee on East–West Trade to make recommendations to the Council wherever the security interests of the United States may be involved, in particular, as described by Public Law 843, Section 1304 (The Cannon Amendment).

2. The Special Committee on East–West Trade has made an examination of the trade between the Soviet bloc (including China) and Sweden and Switzerland. Accordingly, the Special Committee recommends that the National Security Council:

*a.* Note the following determinations:

(1) *Sweden:*

(*a*) Sweden has always had close trade relationships with the countries now within the Soviet bloc. Eastern Europe has normally provided Sweden with important quantities of agricultural and industrial raw material as well as textiles, iron and steel and machinery. Especially vital to the Swedish economy has been, and is today, the large quantity of coal and coke obtained from Poland. In maintaining its present trade relationships with Eastern European countries, Sweden is motivated by (*a*) the necessity of obtaining raw materials vital to the operation of its economy, (*b*) the desirability of obtaining certain goods for soft currency which are unobtainable elsewhere, or obtainable only for hard currency, (*c*) the desire to recover claims arising out of nationalization of private Swedish assets in several of the Eastern European countries, (*d*) the desire to find markets for goods not readily saleable in other areas, (*e*) the desire to avoid worsening the political-military status in Scandinavia and the Baltic area.

In pursuing this policy, Sweden has in the past shipped significant quantities of bearings and relatively small amounts of other strategic commodities to the Soviet bloc. In return, Sweden has received commodities essential to it including such commodities as manganese.

(*b*) In recent trade negotiations with members of the Soviet bloc, Sweden has shown a willingness to cut the export of strategic goods. The United States, the U.K. and France, on behalf of the Paris Consultative Group, are now carrying on discussions with Sweden to obtain its adherence to the International Lists. Considerable progress has

[1] The source text was circulated to members of the National Security Council with a covering memorandum by Executive Secretary James S. Lay which noted that the memorandum had the concurrence of the Senior NSC Staff.

[2] *Foreign Relations*, 1950, vol. IV, p. 249.

been made especially in the field of bearings. In addition, Sweden has given the United States assurances that no export licenses will be granted to transship strategic items for which Swedish import licenses have been issued. In connection with discussions concerning U.S. export licenses currently pending, Sweden is giving assurances against the export of specific strategic items regardless of source. The Department of State will report progress in these discussions as required by NSC 91/1 [3] and 104/2.[4]

(*c*) Sweden has received no direct grant assistance from the United States, but has received loans and conditional ECA grant assistance. Sweden is a member of the European Payments Union where it currently has a relatively small debtor position. Sweden does not contemplate requesting any direct financial aid from the United States during the coming fiscal year.

(2) *Switzerland:*

(*a*) Switzerland's direct trade with the Soviet bloc during the post war period has been about 6% of its total trade and this percentage is declining. Swiss exports to the Soviet bloc have included a significant percentage of strategic items. Imports from the bloc are composed mainly of agricultural items and coal and some capital equipment. Traditionally, Switzerland has been an important entrepot center for international trade including the trade of the bloc.

(*b*) The extent to which Switzerland will agree to control its exports to the Soviet bloc will not be known until its answer to the U.S. request under NSC 104/2 is received. Meanwhile, no List 1 or 1A goods will be licensed for export from the United States to Switzerland except for certain presently pending cases where the United States Government has definite information that the specific type of goods in question is not being exported or re-exported from Switzerland. Re-export of goods imported into Switzerland is now forbidden by the Swiss Government for all imports against which a Swiss blue import certificate has been issued. The United States requires these certificates for all exports to Switzerland and the Paris Consultative Committee has agreed to require such certificates for List 1 and 2 exports to Switzerland. The Department of State will report progress in the negotiations with Switzerland as required by NSC 91/1 and 104/2.

(*c*) Switzerland receives no direct ECA aid and, although a member of the European Payments Union, occupies a strong creditor position in that organization.

*b.* In view of the determinations in *a* above, agree that action to terminate U.S. economic and financial assistance to Sweden and Switzerland is not called for at present by reason of the status of the trade between those countries and the Soviet bloc.

*c.* Direct the Special Committee on East–West Trade:

(1) To continue its examination of trade between Sweden and Switzerland and the Soviet bloc.

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[3] Dated November 17, 1950; printed in *Foreign Relations*, 1950, vol. IV, p. 227.
[4] Dated April 4, p. 1059.

(2) To scrutinize particularly the entrepot trade of Switzerland with the view to making any necessary recommendations for action promptly to the National Security Council.[5]

[5] During its 92d Meeting on May 23, the National Security Council noted that the Senior NSC Staff had withdrawn the source text from Council consideration in light of the passage by Congress of Section 1302 of the Third Supplemental Appropriations Bill of 1951. The Council then discussed the problems involved in implementing Section 1302. (NSC Record of Action 479, May 23; S/S–NSC (Miscellaneous) Files, Lot 66 D 95, Record of Actions–1951)

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740.5/5–351 : Telegram

*The Secretary of State to the United States Deputy Representative on the North Atlantic Council (Spofford), at London*[1]

SECRET WASHINGTON, May 21, 1951—7 p. m.

Todep 443. Ref London's 5715, May 3,[2] and Paris tel 6528, April 26 (rptd London 1666)[3] and Paris tel 6701 May 4, rptd London as 1730.[4]

1. In Dept's view probably best way prevent duplication and overlapping of functions between NATO and COCOM wld be to make COCOM a subcommittee of FEB. However, membership problem and strong Brit resistance probably make it impracticable make effort in near future effect trans. Regardless of formal situation unless FEB and COCOM have in practice close working relationships, we feel there will inevitably be conflict of jurisdiction and duplication. However if impossible at this time obtain agreement on any form of direct reference questions from FEB to COCOM, believe you shld agree to res which provides for use of FEB at present time as body which will review need any exceptions on econ necessity grounds from DPB recommendations, and use influence when exceptional cases raised in FEB to insure adequate informal liaison with COCOM.

2. It may facilitate eventual trans if FEB brought into picture immed in connection with implementing DPB recommendations re items in short supply and needed for defense program. Dept will presumably wish raise with UK and other countries problem of COCOM–FEB relationship at some future time and in discussions you shld make it clear to Brit and others we are accepting solution of problem as interim measure only.

3. We are not clear as to meaning of sentence in para 4 London tel 5715 which indicates resolutions shld authorize FEB seek agreement to embargo or otherwise restrict exports to SovBloc of DPB designated goods. This section of para appears inconsistent with first part same para with which we are in agreement. We had envisaged and

[1] Drafted by Camp and cleared with Leddy, Arthur N. Cox of ECA, and Col. C. K. Moffatt of the Department of Defense; repeated to Paris for OSR and Excon.

[2] *Ante*, p. 1071.

[3] *Ante*, p. 1070.

[4] Not printed, but see footnote 3, p. 1073.

judged from previous tel indicating agreement with paras 4 (*a*) and 4 (*b*) of Paris tel 6528 that we were all agreed that DPB wld make specific embargo recommendations and that function of FEB (with *de facto* cooperation COCOM) wld be to agree on any exceptions to this gen rule. Please clarify.[5]

4. Dept in complete agreement with Emb London and USDel COCOM comments re avoiding gen econ impact studies in FEB and avoiding confusion between controls directed toward SovBloc and more gen problem of allocation of scarce commodities among non-NATO nations outside SovBloc.

ACHESON

[5] In telegram Depto 992, May 25, Spofford informed the Department of State that the source text was fully in line with the views of the Embassy staff except the issue raised in paragraph 3 and that pending further clarification of this issue, Spofford felt inclined to postpone Council Deputy action on the subject. (740.5 MAP/5-2551)

S/S-NSC Files, Lot 63 D 351, NSC 104-Memoranda

*Intelligence Estimate Prepared by the Estimates Group of the Office of Intelligence Research in the Department of State* [1]

SECRET [WASHINGTON,] May 25, 1951.
I.E. No. 19

## ESTIMATE OF THE PROBABLE ECONOMIC AND POLITICAL CONSEQUENCES OF THE KEM AMENDMENT

### I. THE PROBLEM

To estimate the probable economic and political effects in foreign countries of the provisions of the Kem amendment (should it become law) as contrasted with the results of existing arrangements to control East-West trade.*

### II. CONCLUSIONS

1. Existing collective and informal arrangements for denying supplies of strategic and essential materials to the Soviet bloc do not meet United States economic security objectives as these have been specified in the Department's report of February 9, 1951,† although they prob-

[1] On the cover sheet attached to the source text is a statement which reads as follows: "This is an intelligence report; nothing in it is to be construed as a statement of U.S. or Departmental policy or a recommendation of any given policy."

*A copy of the Kem amendment to the third supplemental appropriation bill as passed by both houses of Congress is attached as Appendix 1. [Footnote in the source text.]

†"Report to the President on U.S. Policies and Programs in the Economic Field which may affect the War Potential of the Soviet Bloc" (Secret). [Footnote in the source text.]

ably go as far as the voluntary nature of these arrangements will permit in the light of the present political and economic policies of other non-Soviet countries.

2. The provisions of the Kem amendment if generally complied with would more severely curtail the movement of essential equipment and supplies to the Soviet bloc than do existing controls. Further impairment of the economic position of the Soviet bloc would consequently result in time. In view of the Soviet bloc's limited vulnerability to economic warfare measures, it is doubtful that the rigorous application of the Kem amendment would significantly affect that area's war potential. Against these consequences must be weighed the economic disadvantages and dislocations for the Free World in having to find new markets for exports now going to the Soviet bloc and, since Soviet bloc counter denial measures may be expected, in developing alternative sources of supply for goods presently coming from iron curtain countries. The supply and market position of the Free World for most of the commodities involved is such that these adjustments could much more easily be made than could the adjustments required of the Soviet bloc, but they would mean temporary inconveniences, require emergency measures to make a considerable tonnage of shipping available, and involve a financial burden of perhaps $400 million per year which would probably have to be borne in large part by the United States.

3. In comparison with the various economic considerations, the probable adverse political reactions which can be expected to result from the strict enforcement of the Kem amendment appear of considerably greater moment. Such enforcement undoubtedly would arouse the resentment of many countries because of the implied infringement of their sovereignty. This resentment could impair the willingness of some of our European allies to cooperate in mutual defense arrangements. Political repercussions would be adverse in most other areas, but most notably in Indonesia, Burma, India and Pakistan, Iran, and the Near Eastern States including Israel; for some countries of these areas, the Kem amendment's reporting requirements would have to be imposed as the price for extremely small amounts of aid such as are involved under the Point Four program. In short, while the economic effects on the Soviet bloc's war potential would be limited and slow to appear, there would be immediate and serious weakening effects on the political cohesion of the Free World. Obviously the USSR would take maximum propaganda advantage of the opportunities presented by this divisive factor.

4. The hostility aroused in some European countries which would initially attempt to comply with the Kem amendment would be exacerbated by the innumerable irritations resulting from the cumbersome and humiliating procedures of certifications, exceptions and justifications.

[Here follow section III, "Discussion," which provides the background for the conclusions in section II, and Appendix 1 which contains the text of the Kem Amendment.]

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460.509/5-3151: Telegram

*The Ambassador in France (Bruce) to the Secretary of State*

SECRET PARIS, May 31, 1951—6 p. m.

7386. Excon. At May 29 COCOM most dels made informal personal observations on probable effect Kem amendment on proceedings in COCOM and suggested USDel transmit them to Dept. Summary of various views follows:

*a.* Anticipate Kem amendment will go into effect and will result in expanded US proposals for embargo.

*b.* Individual govts will have to decide whether to qualify or to suspend receipt US aid for duration Korean hostilities.

*c.* Expect proposals as to items will be based on US terminology and descriptions. Past experience has shown US definitions not always understood in Europe and even when understood are not feasible here because of licensing and customs problems. Irrespective Kem amendment many definitions shld be reviewed for clarification. For any new definitions this problem shld be taken care of in beginning.

*d.* Believe exceptions will be necessary. Feel they shld be developed and coordinated through central body rather than handled bilaterally. This wld enable presentation rounded picture to US. Wld also follow OEEC pattern.

*e.* Feel multilateral action on transit trade controls will continue necessary. Anticipate necessity expanding such controls to ensure that shipments from qualifying countries to nonqualifying countries (outside Sov bloc) do not compromise position of former.

*f.* Feel future COCOM work will be considerably expanded, and shld include matters in paras (*c*) and (*e*) above and perhaps para (*d*). Also feel official recognition CG/COCOM will become necessary, and that previous disclosure objections not necessarily applicable. PC's cld not claim COCOM activity not a matter of discrimination against Sov bloc but pursuit own interests in order qualify US aid.

*g.* Noted 15-day Kem amendment provision leaves very little time for govts to make necessary studies and decisions. This might result in preventing multilateral proceeding in the initial stages. In any event felt US shld supply PC's soonest with listing items for embargo and explanation of administrative application and procedures (e.g., will 1 B items be considered embargo items; will exceptions be on basis individual items, individual TA's or over-all trade).

*h.* Scheduling QC discussions shld be deferred for time being but filing statistics shld be completed soonest (June 4 set as new deadline).

*i.* Suggested further exchange views at June 5 COCOM, by which time status Kem amendment presumably established.

*j.* Suggested any detailed discussion on Kem amendment function in COCOM be in CG rather than COCOM.

2. On being asked for comment, USDel stated comment from it entirely premature since Kem amendment not yet law and since supplied with no instructions. Also felt COCOM discussion likewise premature since dels apparently not informed on govt views. Suggested any further additional discussion shld be only on basis instructions. Some dels agreed. Others felt further informal discussion useful. Matter left without scheduling.

3. Above being supplied for Dept's info but wld appreciate any comment Dept may care make.

4. Above represents composite of individual observations and not a consensus. Some dels made no comments. On some points not all dels in agreement.

Sent Dept 7386, rptd info Brussels unn, Bern unn, Copenhagen unn, Frankfort unn, The Hague unn, Helsinki unn, London unn, Oslo unn, Rome unn, Stockholm unn, Vienna unn, Trieste unn.

BRUCE

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740.5/6–451 : Telegram

*The United States Deputy Representative on the North Atlantic Council (Spofford) to the Secretary of State*

SECRET PRIORITY LONDON, June 4, 1951—5 p. m.

Depto 1057. Excon.

1. In view delicate situation arising out of Kem amendment, desire your further comment on wording CD resolution on export controls to Sov bloc. US proposal this subj circulated May 30 but CD discussion postponed to June 6.

2. Key language in our proposal is fol declaration of principle, with implementation referred to FEB: "that export of such items (found by DPB to be urgently required for NAT def purposes) to Sov Union or areas under its domination or control shld be embargoed, except to extent indicated by overriding considerations arising out of security interests of exporting country concerned".

3. Informal discussion with Brit, plus suggestion made by Danish deputy, have suggested fol alternatives:

(*a*) Changing "exports shld be embargoed" to "supply shld be denied". This has tactical advantage of avoiding word "embargoed" and seems to us to lose nothing of sense and perhaps even to carry broader implications (e.g. forbidding NAT country shipping from carrying supplies to Sov bloc from third countries).

(*b*) Changing "arising out of security interests of exporting country concerned" to "of mil-econ advantages of NAT countries as against Sov bloc".

4. Latter suggestion arose incidentally during CD discussion May 31 of relations with Poland and Czecho, when Danish deputy commented

that second phrase quoted above was contained in para 9 of US policy statement toward Poland and Czecho (see annex A to D–D (51) 133 of May 19 [1]), and that it might be adapted to purposes export control resolution.

We wld prefer language re "security interests", which was drafted with text Kem amendment in mind, but proposed alternative seems express our intention reasonably well if emphasis is placed on words "mil-econ advantage", which we wld interpret more rigidly than "mil or econ advantage". We plan defend our present version, but desire your reaction to alternatives.[2]

Sent Dept Depto 1057, rptd info Paris 2581 for Embassy and OSR.

SPOFFORD

[1] NATO document D–D (51) 133 of June 8, 1951, "Revised Draft Summary Report on Exchange of Views on Military, Political, and Economic Conditions in Poland and Czechoslovakia," is not printed. (NATO Sub-Registry)

[2] In telegram Todep 483, June 5, the Department of State reported its concurrence with the language changes outlined in the source text but added that regardless of the wording selected it wanted Spofford to state the U.S. view that the primary reason for making exemptions should be to obtain from Eastern Europe or the Soviet Union materials urgently needed for Western defense economies and that exploitation of a competitive position in Soviet bloc export markets should not be considered in judging whether security advantages would accrue from making exemptions to the embargo. (740.5/6–551)

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460.509/6–551

*Memorandum of Conversation, by the Deputy Assistant Secretary of State for Economic Affairs (Linder)*

CONFIDENTIAL [WASHINGTON,] June 5, 1951.

Subject: Battle Report and Proposed Legislation [1]

Congressman Battle told me this afternoon that the House Foreign Affairs Committee decided this morning to authorize the Subcommittee to publish their report as a Subcommittee report. He indicated that most of the changes we suggested will be incorporated in the report.

As to the Committee print, that, too, was submitted, unfortunately as originally drafted, to the full Committee which decided to refer it to the State Department for comment and a report. Battle felt that there was a disposition on the part of the Committee to look into the matter carefully and finally to propose legislation with which we could live.

I told him that the reference in the President's letter [2] expressing the hope that the Congress would enact new legislation in place of the

[1] For information concerning the Battle Report and the Mutual Defense Assistance Control Act of 1951 (Battle Act), see the editorial note, p. 1176.

[2] A copy of the President's letter was not found in Department of State files. The President's desire for new legislation to replace the Kem Amendment was also expressed in his statement to the press on June 2 when he signed the Third Supplemental Appropriation Act; for the text of this statement, see the Department of State *Bulletin*, June 25, 1951, pp. 1027–1029.

Kem Amendment was written with the Battle Committee work in mind.

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450.6031/6–551

*Memorandum of Conversation, by the Assistant Secretary of State for European Affairs (Perkins)*[1]

SECRET [WASHINGTON,] June 5, 1951.

Subject: East-West Trade

Participants: Sir Oliver Franks, British Embassy
Mr. Perkins, Assistant Secretary
Mr. H. Raynor, Director, BNA
Mr. Linder, E

Mr. Linder explained in some detail the background surrounding the passage of the Kem Resolution and what we are intending to do about it. He said to have any chance of obtaining better legislation or avoiding a worsening of the present legislation by way of foreclosure of the existing exemption privilege or extending the types of assistance covered to include military items, we felt certain things would have to be done. Mr. Linder mentioned that we must make progress on extending controls in the 10% area constituting those items now on our 1A list which are not on the list approved by the COCOM countries. Mr. Linder expressed the hope that as the difference between the UK and US was so small that it should be possible to resolve the matter. He also stressed the importance of being able to say more publicly and to the Congress about what has already been done and is being done today. He implied that a full disclosure of the many steps which have actually been taken might have avoided the present resolution. During the conversation he also stressed the importance of avoiding dramatic cases particularly rubber which has become a symbol in the public mind of East-West trade in general. It was pointed out that the manner in which rubber was handled in the UK report to the Additional Measures Committee of the UN[2] might be of great importance. We also mentioned the importance attached to the two tankers which have been built in the UK on Polish account. Mr. Linder also stressed that in our presentation to Congress we must stress what is being obtained in return which benefits the West. He said he thought arrangements of a trade agreement type which actually listed what would be exported behind the "curtain" and showed what would be received in return would be helpful. Mr. Linder also explained the procedures which we have underway mentioning first

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[1] Drafted by G. Hayden Raynor, Director of the Office of British Commonwealth and Northern European Affairs; the source text was initialed by Linder.

[2] Documentation concerning this subject is included in the compilation on the injunction of United Nations economic sanctions against North Korea and the People's Republic of China presented in volume VII.

the general procedural exception in order to provide time and then to go up for exceptions country by country in cases where we feel they could be justified. We pointed out that, of course, the NSC would be the judge as to whether or not to grant exceptions and we could not predict how the NSC would act in any given case. We pointed out that we had initially intended to send up a request for the UK at an early date but after studying the matter we were not satisfied at the moment that we had a sufficiently good case to send up. It was also pointed out to Sir Oliver that while the assistance involved to the UK was probably small that we felt the UK should look at this from the broad point of view of the effect of the amendment on other countries and also the effect on the UK should its coverage be broadened to include military items.

Sir Oliver said he could speak only personally but he wanted to mention a few points which occurred to him with respect to this matter which he agreed was a serious one. He said we must remember the UK is a trading nation and instinctively reacts against any trade restrictions. He said we must bear in mind that the overwhelming public opinion of England still held to the view that war was not inevitable and that there was apprehension that steps of this type could be harmful in developing a situation which would make war more likely. He said this feeling led many in England to advocate the continuance of all possible relationships including economic in order to avert war. He also said that the manner of passage of the Kem Resolution and the impulsive nature of the action was also the type of thing which usually brought about a negative reaction in the UK.

Sir Oliver indicated he was very pleased to have had this discussion and to obtain the background information we had given him which he would be able to make use of in his discussions in London.

During the course of the conversation Ambassador Franks stated that it would be of the greatest importance to the UK to know the limits of possible additional controls which would be necessitated as the British understandably are afraid of embarking on a "slippery slope" being called upon to take one action after another in this field.

G[EORGE] W. P[ERKINS]

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S/S–NSC Files, Lot 63 D 351, NSC 104–Progress Reports

*Memorandum by the Under Secretary of State (Webb) to the Executive Secretary of the National Security Council (Lay)*

SECRET WASHINGTON, June 7, 1951.

Subject: First Progress Report on NSC 104/2.[1] "U.S. Policies and Programs in the Economic Field Which May Affect the War Potential of the Soviet Bloc"

[1] *Ante*, p. 1059.

NSC 104/2 was approved as Governmental policy on April 12, 1951. It is requested that this Progress Report (as of May 15, 1951) be circulated to the members of the Council for their information.

*Export Controls*

1. *Prohibition of all Exports to Communist China, Manchuria and North Korea*

All exports from the United States to Communist China, Manchuria and North Korea continue to be embargoed:

*a.* By cancellation of all general licenses for these destinations by orders effective December 3, 1950, December 4, 1950, and December 6, 1950.

*b.* By revocation of all outstanding licenses for these destinations June 28, 1950 and July 20, 1950.

*c.* By refusal to issue any validated licenses for these destinations since June 28, 1950.

2. *Export Licensing of all United States Shipments to the USSR and Eastern European Satellites*

The United States continues in effect the licensing system instituted March 2, 1951 requiring a license for all products proposed for shipment to these countries, either originating in or intransit through the United States.

3. *Prohibition on Exports of Armaments and Short Supply Items*

The United States continues to prohibit exports of all such items destined for the Soviet Bloc, whether shipped directly or indirectly.

4. *United States Licensing Policy for Items Other than Armaments and Short Supply Items*

Program Determination No. 502, April 25, 1951, of the Advisory Committee on Export Policy sets forth United States licensing policy for other items. This policy is in accordance with Recommendation 4 of NSC 104/2, and has been embodied in the following licensing directives that apply to the Soviet Bloc, exclusive of Communist China and North Korea:

*a.* Items on U.S. Lists I and IA shall be denied.

*b.* All other commodities on the Positive List which are destined for such areas, whether shipped directly or indirectly, shall be denied; however, the OIT may refer to the R Procedure Subcommittee for its recommendation applications for such commodities which in its opinion should be approved.

*c.* U.S. Class IC items which are not on the Positive List shall be denied by OIT if the export is in excess of minimum quantities; the OIT shall approve the export of minimum quantities of such commodities.

*d.* All other commodities not on the Positive List shall (*a*) in general be approved; though (*b*) the OIT may in any specific case reduce or deny licenses for particular shipments.

5. *Strengthening Western European Security Controls*

Since early April 1951, the Department of State has been preparing to undertake a further major negotiation with the Coordinating Committee countries, similar to the London and Paris discussions of October–November 1950.[2] Formal meetings with the British and French are expected to commence in June, depending upon developments in connection with Section 1302 of the Third Supplemental Appropriations Bill (the Kem Amendment).

The United States' tentative proposal, now being explored with the British and French, may, if accepted as a basis for the forthcoming negotiations, assist in advancing six of the nine specific objectives set forth in paragraph 5 of NSC 104/2. The remaining three ("*b*", "*e*" and "*f*" of paragraph 5) are being pursued actively by the Coordinating Committee in Paris.

(See Appendix for a more detailed report.)[3]

6. *Licensing United States Exports to Western Europe*

United States policy for licensing shipments to Western Europe is embodied in Advisory Committee on Export Policy *Notice of Action No. 79.2* of April 25, 1951. The Secretary of Commerce, as required by this notice of action, is reviewing the United States 1A items that have not been accepted for International List I. Until this review is completed, the provisions of *Notice of Action No. 77.2* are being followed.

With respect to Switzerland and Sweden, the provisions of *Notice of Action No. 79.2* are being followed in so far as possible until the review of United States 1A items by the Secretary has been completed. In those situations where it is not possible to follow *Notice of Action No. 79.2* because the review of the United States 1A items is not complete, the provisions of *Notice of Action No. 77.2* are being followed.

7. *German Controls*

Discussions have been under way for some weeks between Allied and Federal Republic representatives to achieve, by means of drastic revisions of German licensing procedure, more effective central control over licensing of strategic exports. High level approaches have been made to the Federal Republic Government in which the urgent necessity of improving these controls has been emphasized. The success of these and other approaches is evidenced by recent prosecutions in German courts.

8. *Cooperation of American Republics*

The American Republics have agreed to cooperate fully in the adoption of effective measures of economic defense and security controls in their international economic relations (Resolution XV, "Defense

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[2] For documentation concerning these London meetings, see *Foreign Relations*, 1950, vol. IV, pp. 202 ff.

[3] Not printed.

and Security Controls", of the Fourth Meeting of Consultation of Ministers of Foreign Affairs). On this basis the Department of State is planning an approach to the American Republics for the instigation of effective controls that will either prohibit or restrict the export or transshipment of strategic and short supply materials to the Soviet Bloc. It is expected that this approach will be made in the near future, but the details of the strategic lists to be used and the extent of the controls to be recommended have not yet been determined.

9. *International Controls on Exports to Communist China*

The United States, on May 7, 1951, and after prolonged negotiations with the United Kingdom, France and other states, formally introduced in the Additional Measures Committee a draft resolution recommending that every state embargo shipment of arms, ammunition, implements of war, atomic energy materials, petroleum, and items useful in the production of arms, ammunition and implements of war to areas under Chinese Communist and North Korean control. The resolution was adopted by the Committee on May 14, and is now before the General Assembly.[4]

10. *International Allocation of Short-Supply Materials*

Instructions to the United States representative in the International Materials Conference (FSRC Doc. 4, April 16, 1951) include a directive to "oppose recommendations that would have the effect of releasing scarce commodities to the Bloc except where the two-way trade involved has a clear advantage for free world strength". If the commodity committees do establish allocation programs, the United States will use every influence to deny or limit shipments to the Soviet Bloc. It is clear that many other countries will cooperate, although with some limitations.

United States efforts to bring about tin and rubber allocation programs have not succeeded, and are not now being pressed further. In these two cases, however, the United States continues to work for limiting the flow to the Soviet Bloc by action of national governments.

*Preclusive and Preemptive Operations* (Recommendations 11 and 12)

No opportunities have arisen warranting active consideration of employing the preemptive device. In the case of rubber and tin this device is impracticable.

*Financial Measures*

13. *Blocking of Dollars*

The Foreign Assets Control Regulations respecting China (except Formosa) and North Korea, issued by the Secretary of the Treasury and effective December 17, 1950, block the assets in the United States of Communist China and North Korea and their nationals. These

[4] Documentation concerning this resolution is included in the compilation on the injunction of United Nations economic sanctions against North Korea and the People's Republic of China presented in volume VII.

regulations prohibit all transactions involving such assets unless Treasury licenses are obtained.

There has been no determination that export controls have become so restrictive and other economic and political relations so curtailed that blocking of the dollars and dollar transactions of the USSR and its European satellites would be appropriate.

With respect to the financing of trade with the USSR and its satellites other than Communist China and North Korea, the following position has been taken by the State Department in consultation with other Departments: Where a private United States bank wishes to finance the export from a third country to the Soviet Bloc of an item which the United States would not license for export but which is a legal export from the third country, the Department will not object to the financing if it is reasonably clear that refusal to open the credit would in no way prevent the shipment.

14. *Sterilizing Gold*

As part of the development of a United States Government position for the guidance of our representative on the Economic and Financial Measures Subcommittee of the United Nations Collective Measures Committee, the Treasury Department is preparing a paper regarding the sterilizing of gold resources. In this connection Treasury is also preparing a paper related to item 13 above on the freezing of assets. These studies are not, however, focused on the Soviet Bloc, since they are designed for possible consideration in the event of *any* future aggression.

*Blacklisting*

15. The Commercial Intelligence Division of the Department of Commerce maintains an extensive file of suspected and known violators of export and other controls which is revised as new information is received. Information is exchanged with the Departments of State, Defense, and the Treasury, as well as the Central Intelligence Agency. United States Foreign Service Missions have recently been requested to include all available information of this type with World Trade Directory Reports.

The United States is presently considering with the Coordinating Committee countries the establishment of a Secret Black List of violators of export control regulations.

*Technology*

16. *Strengthening Plant Security*

Steps have been taken to improve the protection of advanced technological information in United States industrial establishments. NSC Action 413, dated January 6, 1951, approved a recommendation of the Interdepartmental Committee on Internal Security for the establishment of an Industrial Evaluation Board. This Board will identify and

evaluate the relative importance of essential industrial facilities. A further recommendation of the Committee on Internal Security dated April 10, 1951 (reference NSC 99)[5] would establish a Facilities Protection Board to develop criteria for the protection of facilities rated by the Industrial Evaluation Board and provide general policies for a facilities protection program. Actual administration of facilities protection will remain in the individual agencies most directly concerned.

17. *Coordinating Committee Action*

The United States has recently submitted to the other Coordinating Committee governments its policies and programs regarding the "Security of Technical Information". The other countries have been requested to supply similar information on measures they have adopted to deny the Soviet Bloc technical data. This information should provide the basis for thorough Coordinating Committee consideration of the problem.

18. *Export Controls on Technology*

Mandatory controls over the export of *all* technical data to the Soviet Bloc have been put into effect by the Department of Commerce. The Central Intelligence Agency, the Library of Congress and the Department of State have objected to the inclusion under these controls of unclassified technical publications which are available to the public. These agencies believe that the United States cannot effectively deny the Soviet Bloc access to such material, and that the principal consequence will be to invite *effective* Soviet retaliation, which would deny the United States published materials of great value to its intelligence programs. The problem has been submitted to the Interdepartmental Committee on Internal Security for its study and recommendations.

*Shipping* (Recommendations 19 and 20)

Coordinating Committee action in the field of shipping has been limited thus far to embargo and quantitative control over the sale of vessels to the Soviet Bloc. This action has been taken to prevent the Bloc's acquisition of vessels which would have direct military use in the event of war. In addition, the United States has recently raised in the Coordinating Committee the problem of chartering controls, recommending that ship chartering not be permitted to circumvent embargo controls.

No action has been taken in the Coordinating Committee to institute shipping controls as an adjunct to international embargo of commodities. It has been felt that preventing the growth of the Bloc's merchant marine so as to continue its dependence on the free world for shipping facilities is the most practical method of affecting the war potential of the Soviet Bloc.

[5] NSC 99 of January 6, 1951, "Program of Physical Security for Industrial Plants and Allied Facilities," is not printed.

NATO action in the field of shipping has been confined to planning shipping controls for a period of war. The Planning Board for Ocean Shipping has been concerned with this. With the establishment of the Finance and Economic Board under NATO, combined with the responsibilities of the Defense Production Board to recommend the embargo of materials in short supply and required for Western defense programs, there may be appropriate forums for handling the types of problems involved in recommendations 19 and 20 of NSC 104/2. Plans to take action in these bodies are being studied.

OAS action: At the Fourth Meeting of Consultation of Ministers of Foreign Affairs of American States, shipping controls were not specifically discussed. Resolution XV concerning defense and security controls, however, provides a basis for approaches to other American States should further study indicate that the adoption of shipping controls by these countries is desirable.

Air Traffic Controls: Implementation of NSC 15/1[6] and 15/3[7] has resulted in a severe diminution of air traffic between the Soviet Bloc and countries of the free world. Should information be obtained indicating a substantial leakage of embargoed items to the Soviet Bloc by air transport, further consideration will be given to the development of an air cargo control system. At present this means of transport does not appear to present a major problem.

*Decreasing Reliance on Trade With the Soviet Bloc* (Recommendations 21, 22 and 23)

The Economic Cooperation Administration has initiated three studies in order to have a program of action ready in case further substantial cuts in East-West trade occur as a result of Soviet retaliation. It is hoped to complete these studies by mid-June 1951.

The following are the studies, covering recommendations 21, 22 and 23, respectively, of NSC 104/2:

*a.* Alternative sources of important basic materials now being obtained from the Soviet Bloc by the free world.

*b.* Adjustments required in international allocation of essential materials in order to free friendly countries from reliance on the Soviet Bloc. The international shipping position and the additional requirements that would result from a cessation of Soviet Bloc exports will be included.

*c.* Possible reorientation of Western European export trade from the Soviet Bloc to alternative free world markets. Particular emphasis will be placed on possibilities of shifting productive capacity to defense effort and developing new markets in the western hemisphere.

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[6] For the text of NSC 15/1 of July 12, 1948, see *Foreign Relations*, 1948, vol. IV, p. 451.

[7] Extracts of text of NSC 15/3 of January 5, 1950, are printed *ibid.*, 1950, vol. IV, p. 1.

*Import Controls*

24. The need for controls on United States imports from the Soviet Bloc in order to minimize dollar earnings of the Bloc is not an immediate one.

Steps have been taken, nevertheless, which serve to reduce or eliminate these imports. Among these measures are the foreign Assets Control Regulations (see item 13 above), which have effectively curtailed imports of merchandise of Communist Chinese origin, except for items of strategic importance. Also, an amendment to the 1951 extension of the Reciprocal Trade Agreements Act will require the withdrawal of the application of United States tariff concessions to imports from Communist-controlled countries, thereby reducing such imports to the extent that they will be impeded by increased duties.

JAMES E. WEBB

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740.5/6–851 : Telegram

*The United States Deputy Representative on the North Atlantic Council (Spofford) to the Secretary of State*

SECRET NIACT LONDON, June 8, 1951—11 a. m.

Depto 1090. Excon. Subj embargoing exports to Sov bloc of scarce materials required for NATO def purposes.

1. Believe we have reached satis agrmt with Brit on above matter, subj to top level clearance which they expect obtain shortly. This wld involve: (*a*) minor changes in text to our proposed CD res including changing "exports shld be embargoed" to "supply shld be denied" (see para 3 *a* of Depto 1057 of June 2 [4] rptd Paris 2581 [1]); and (*b*) inclusion in CD minutes of Brit "interpretation" re our phrase "security interests of exporting country concerned," which wld require our tacit approval but not specific endorsement. Brit propose to interpret this phrase, "as covering imports which must be obtained from Sov bloc to sustain basic econ strength of exporting country."

2. In absence final Brit clearance this proposal before CD meeting June 6, and in view of our belief that Brit support for our res would greatly influence continental countries, we reached understanding with Brit (Berthoud) that when subj came up on agenda at June 6 mtg Brit dep wld immed request postponement discussion until June 11. However, apparently due to lack coordination Brit side UK dep failed entirely to intervene and mtg produced succession of statements from continental deps opposing US draft resolution.

3. Norwegian dep led off with strong statement that reports from DPB identifying scarce materials were most inadequately documented and shld be referred back to DPB for further study. He further took firm position that CD shld not adopt principle embargoing such ma-

[1] *Ante*, p. 1083.

terials to Sov bloc, even with provision for exceptions, in absence thorough study of econ implications by FEB, which shld also study raw materials shortages in relation to civilian requirements to supplement DPB assessment in relation to mil prod needs.

4. Neth and Fr deps spoke more briefly along similar lines, urging reference DPB report to FEB for gen advice and elimination at this stage of any reference to embargo. They referred to commercial interests of western European countries, commitments under existing commercial agrmts, need for consultation by FEB with IMC, etc. Fr dep also emphasized desirability obtaining through HICOM parallel action by FedRep.

5. US dep made brief rebuttal statement emphasizing NATO def needs and obligation CD to establish basic policies to govern activities of subordinate NATO bodies. After distributing drafting amendments to initial US draft res which had been agreed at staff level with the Brit (see para 1 *a* above) adjourned discussion until June 11.

6. Our present plan is:

*a.* Try to pull Brit firmly into line before next meeting CD on basis described para 1 above;

*b.* Seek opportunity to discuss with other dels, especially French, before next meeting;

*c.* Have US dep open discussion at June 11 mtg with strong presentation case for US draft res; and

*d.* Press Brit to join in urging upon continental deps acceptability US res as supplemented by Brit interpretation.

7. While lack of DPB documentation for its findings is not helpful, believe strong case can be made on basis "common knowledge" that materials it has listed are in fact in short supply and are urgently required by NAT countries to carry out their rearmament and stockpiling programs. In this connection, DPB has just reported to CD a supplemental list of scarce materials to be added to the list contained in D–D (51) 94, April 10, 1951.[2] Supplemental list, based upon inquiry to member countries and including items reported as in short supply by at least three member countries, covers: antimony; beryl; magnesium; tungsten carbide; non-ferrous scrap; pig iron; steel ingots, blooms, and billets—carbon and alloy; specialty steels; chromium and ferrous-chromium; metallurgical coke; asbestos; amosite, and chrysolite; corundum; graphite, natural; kyanite; cotton; cordage fibres; plywood; silk, including noils and synthetic fibres, except rayon; sperm oil; tung oil.

8. From remarks made by Fr dep and others, believe major stumbling block may be impression among continental countries that positive unanimous FEB approval of exceptions wld be required to release

[2] NATO document D–D (51) 94 of April 10, 1951, "Draft Use of Export Controls to Insure Adequate Supplies for NATO Military Production," is not printed (NATO Sub-Registry).

a NAT country from its commitment to impose embargo under our res. Language of our res is that "FEB, in consultation if necessary with other appropriate internatl agencies, is requested secure prompt agmt among NAT countries as to specific measures to be taken (in denying supplies to Sov bloc of materials designated by DPB) and as to exceptions if any to be made". As explained in detail in Depto 992 of May 25, rptd Paris 2492 (see especially paras 3 and 4 thereof),[3] we do not interpret this in sense described above, and believe clear statement to this effect wld be very helpful. Wld appreciate your more specific endorsement of this position than is contained in Todep 464 of May 29, rptd Paris 6433.[4]

9. We do not presently intend, subj to further development CD discussions, to abandon wording re "security interests" in favor of "mil-econ advantage," but we shall in any case state US view along lines set forth Todep 483 of June 5, rptd Paris 6597.[5]

10. Any info re developments relating to Kem amendment not covered in latest issue of current econ developments wld be very valuable background for June 11 mtg.[6]

Sent Dept Depto 1090, rptd info Paris for Emb and OSR 2640.

SPOFFORD

[3] Not printed, but see footnote 5, p. 1080.

[4] Not printed.

[5] Not printed, but see the first footnote 2, p. 1084.

[6] In telegram Todep 499 to London, June 8, the Department of State concurred in the British interpretation as summarized in paragraph 1 of the source text and instructed Spofford to state the U.S. view that, in the Department of State's understanding of the draft resolution, the FEB would be assigned responsibility for reaching agreement regarding the embargo of materials which the DPB found to be in short supply and needed for Western defense programs. Member nations would not, therefore, be required to take any action to control DPB items until the FEB makes its recommendation. (740.5/6-851)

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S/S–NSC Files, Lot 63 D 351, NSC 111 Series

*Draft Report by the National Security Council*[1]

SECRET

WASHINGTON, June 8, 1951.

NSC 111

## AN INTERIM GENERAL EXCEPTION UNDER SECTION 1302 OF THE THIRD SUPPLEMENTAL APPROPRIATION ACT, 1951 (NSC DETERMINATION No. 1)

### I. BACKGROUND

1. Section 1302 of the Third Supplemental Appropriation Act, 1951 (Public Law 45, approved June 2, 1951), directs that no economic or

[1] The source text, along with a cover sheet and a note by Executive Secretary Lay, was circulated to members of the National Security Council as NSC 111. Lay's note explained that the draft report was prepared jointly by the Senior NSC Staff and the Special Committee on East-West Trade and was scheduled for consideration by the Council at its next regularly scheduled meeting on June 13. For information concerning this June 13 meeting, see the editorial note, p. 1108.

financial assistance shall be provided to any foreign country which, after 15 days following its enactment, exports or knowingly permits the export of certain named categories of commodities to the Soviet bloc during any period in which the Armed Forces of the United States are actively engaged in hostilities in carrying out a decision of the Security Council of the United Nations. In order to be eligible for economic or financial assistance each country must certify that after the prescribed period it has not exported or knowingly permitted the export of the prohibited items to the Soviet bloc.

2. Section 1302 requires that the Secretary of Defense certify to the Economic Cooperation Administrator a list of specified articles or commodities. The list in question was certified on June 4, 1951 and is attached as Appendix 1.

3. Section 1302 authorizes the National Security Council to make exceptions to its several provisions upon an official determination that such exceptions are in the security interest of the United States.

4. The terms of Section 1302 apply to a wide variety of economic and financial assistance programs. They pertain to loans and grants such as made by the Economic Cooperation Administration, to many Export-Import Bank loans (such as loans to various Latin American countries for the strengthening of basic industries or for expanding the production of strategic minerals), and to a variety of agricultural, health, and development and technical assistance projects carried on largely under the Point IV Program. In addition to general programs conducted under a broad authority granted by the Congress, they apply to a number of assistance measures authorized individually by specific legislation, such as those for the loan to Spain and for aid to Yugoslavia. The provisions of Section 1302 apply to some 60 countries receiving some form of economic assistance, even though it may be very limited in many cases. A list of countries receiving aid is attached as Appendix 2. In support of the various general and special assistance measures, the Congress has appropriated several billion dollars in recent years, largely with the security interests of the United States in view.

5. The evident objective of the legislation is to stop the flow to the Soviet bloc of commodities significant to the military potential of that area and by this means to strengthen the security of the free world. With this same objective in view, and in accordance with the terms of previous legislation,* the National Security Council has had extensive studies made of the trade between the countries which receive economic and financial assistance from the United States and the countries of the Soviet bloc. Moreover, during a period of more than two years the United States has had continuing discussions with the more important countries trading with the Soviet bloc for the purpose of obtaining

*Section 1304, Public Law 843. [Footnote in the source text.]

the establishment of effective controls over this trade. As a result, prohibitions have been established against the export to the Soviet bloc of a wide range of strategically important commodities. Necessarily, detailed information regarding these measures has not been and cannot be made public. However, the countries which have been cooperating in this effort do not control their exports as closely and completely as would be required to meet the provisions of Section 1302. Indeed, these and most other countries receiving economic or financial assistance have been and presumably are now exporting to the Soviet bloc some items appearing on the list certified by the Secretary of Defense.

6. It is doubtful whether it is possible for any system to be devised which would provide the necessary basis for current certifications under Section 1302. It would clearly be impossible within the time allotted. The mere mechanical processes of duplicating and transmitting the new and extensive list of commodities to foreign governments alone would exhaust the time period specified. Furthermore, the translation of the list, which involves, as experience in this field has shown, intricate problems of interpretation and definition of technical terms, requires considerable time. In addition to these processes, moreover, it would be necessary in all cases for new determinations to be reached, new export control regulations and procedures to be adopted, and effective administration provided for. Actually, in a number of countries new legislation would be necessary. Even if there were no political considerations or other such factors affecting the adoption of these controls by foreign countries, it would be impossible for them to meet the requirements of Section 1302 in the time provided. If placed in parallel circumstances, neither could the United States.

## II. PROBLEM

7. In the circumstances, therefore, the National Security Council must, in meeting its responsibilities under Section 1302, adopt one of the following three alternative decisions:

*a.* Decide that the security interests of the United States would best be served by terminating or temporarily suspending aid to all recipient countries.

*b.* Decide that the security interests of the United States would best be served by determining at this time that the aid presently being extended to recipient countries should be continued without modification.

*c.* Decide, on an interim basis, that the aid to all recipient countries should be continued while further intensive efforts are being made to strengthen the export controls of recipient countries, and pending the completion of a reexamination of the varying situations of individual countries in the light of the requirements of Section 1302.

III. EXAMINATION OF ALTERNATIVES

8. *First Alternative*

*a.* To adopt the first of the three stated alternatives, that is, to terminate or suspend aid to all countries, would be to ignore the commanding importance of the purpose of our foreign aid programs. The purpose of economic and financial assistance to friendly countries is to strengthen the individual and collective defenses of the free world, to develop their resources in the interest of their security and independence and the national interest of the United States, and to facilitate the effective participation of these countries in collective security arrangements. In some countries the aid is assisting the construction of industrial facilities required to produce weapons for defense. In others it assists the development of mineral resources needed for stockpiles and for immediate consumption by ourselves and our allies. In still others it assists in withstanding internal and external threats to independence. A blanket termination of aid would, in short, jeopardize the security of the United States and indeed, the security of the whole free world.

*b.* Suspension of aid pending a full reexamination of the position of particular countries or areas in relation to the new legislation might appear, on the surface, to be free of the defects cited in *a* above. It would appear not to question the importance of the aid programs nor to prejudge the case as to individual countries receiving aid. It has the aspect of a deliberate and judicious approach. In reality, however, the suspension of aid, equally with outright termination of aid, would call directly into question not only the validity of the major object for which aid is extended, but also the integrity of our partners in the free world and the integrity and steadiness of purpose of the United States. The importance of the main object is surely not open to question. The integrity of our partners has been demonstrated by their cooperation in many fields. The steadfastness and good faith of the United States must not be subject to question.

*c.* There remain gaps and defects in controls over the movement of strategic commodities to the Soviet bloc, some of which are serious. However, if in the face of what has been accomplished and in disregard of the cooperation already achieved, we were to suspend aid, our own reliability would be called into question and we would threaten both the will and the capacity of our associates to maintain the controls they now have. And we would do this without any apparent basis or justification for such treatment.

*d.* The National Security Council rejects this alternative.

9. *Second Alternative*

*a.* To adopt the second alternative suggested above, that is, to continue aid without modification, would be to indicate that the National Security Council is satisfied with the measures now being taken by

countries currently receiving assistance from the United States to limit and curtail their trade with the Soviet bloc. This is definitely not the case.

*b.* There have been features about the trade of various countries with the Soviet bloc which have caused the United States concern. We have not hesitated to express this concern and energetically to seek correction of its causes. As a result of the negotiations thus initiated, the trade of the free countries with the Soviet bloc has been brought under a degree of control which, despite some remaining points of weakness, is impressive. Canada maintains a control system and follows control policies closely in line with those of the United States. Controls in Japan and the Philippines are likewise essentially parallel to those of the United States. The countries of Latin America, which export only a limited number of commodities, primarily raw materials, which have strategic significance, already have arrested exports to the Soviet bloc of most of these materials and have shown full willingness to cooperate in these and other measures of economic defense and security. In addition, as a result of the resolution recently adopted by the United Nations, trade between many other countries and Communist China will be prohibited in respect to arms, ammunition, implements of war, petroleum, atomic energy materials, transportation equipment of strategic value and items used in the production of arms, ammunition and implements of war.

*c.* It is the countries of Western Europe, however, in which the matter of controls over trade with the Soviet bloc is of the highest continuing importance. This is the area in which the problems of proximity to the Soviet bloc and of dependence upon supplies obtained in trade with the Soviet bloc present themselves in the most acute form. It is the area, also, in which maximum strength is most critically needed. Most of the countries of Western Europe have maintained for some time an embargo upon the shipment of arms, ammunition and implements of war and atomic energy materials to the Soviet bloc. Even before the outbreak of hostilities in Korea, they had extended this embargo to cover a significant number of other goods which, though not military weapons, are nevertheless, considered to be of high strategic importance. Since Korea, the embargo has been further extended to cover most of the goods which the United States regards as of primary strategic significance. In addition, quantitative limitations have been imposed upon the movement of a considerable range of other goods.

*d.* These results have not been achieved by coercion. They have been brought about by a cooperative approach to a mutually acceptable solution for a common problem. Further progress can best be gained by continuing this approach. There remain, as has been stated, serious gaps and defects in the controls of recipient countries over the

movement of strategic commodities. Every effort must be taken to repair these gaps and defects. The National Security Council can neither ignore nor condone these deficiencies and shortcomings, as would be implied if it were to adopt the second alternative suggested above.

*e.* The National Security Council therefore rejects this alternative as not compatible with the security interest of the United States.

10. *Third Alternative*

*a.* The third alternative, that is, the continuation of United States economic and financial assistance, while an immediate reexamination is made of the situation with respect to each country, is judged by the National Security Council to be most in accord with the security interest of the United States. This course will maintain the strength of the free world to the important degree to which it depends on assistance from the United States originally granted with that object in view. This course avoids the coercive approach of terminating assistance, whether temporarily or finally, before full examination of each case. No nation can be expected to adopt under pressure another country's controls even when it is in accord with the general objective of those controls. This course avoids the kind of action which could force some nations to a determined neutrality and might force others to adopt such a course as an alternative to their present cooperation. It offers the opportunity to achieve those additional results in respect to controls on trade with the Soviet bloc which are desired. It is our intention vigorously to seek the establishment of additional controls. We believe we can be successful in this regard.

IV. DETERMINATION

11. The National Security Council, in view of the foregoing considerations, determines that it would be to the security interest of the United States to make a general interim exception from the provisions of Section 1302 for all countries now receiving economic and financial assistance from the United States. This interim exception will be superseded as rapidly as possible by determinations of the National Security Council in respect to specific countries or areas in the light of the most recent information concerning their position.

V. INSTRUCTIONS

12. The National Security Council notes that the responsible executive departments and agencies of the U.S. Government have agreed to continue and intensify their efforts toward the correction of existing deficiencies in the controls of countries receiving United States economic or financial assistance over exports of strategic commodities to the Soviet bloc.

13. The National Security Council directs its Special Committee on East-West Trade, with such assistance as may be required from the

departments and agencies concerned, to complete as rapidly as possible the studies needed by the Council to determine:

*a.* Whether the country concerned has met the requirements of Section 1302 with respect to its controls over trade with the Soviet bloc.

*b.* Whether, in the absence of compliance with the requirements of Section 1302:

(1) It is in the security interest of the United States that the interim exception be withdrawn and assistance terminated; or

(2) It is in the security interest of the United States, in the light of all considerations, that assistance be continued and the interim exception replaced by a specific exception.

14. The National Security Council directs its Executive Secretary to declassify and transmit this Council document as the National Security Council's report to the committees of Congress named in Section 1302.

Appendix 1

*The Secretary of Defense (Marshall) to the Administrator of the Economic Cooperation Administration (Foster)*

WASHINGTON, June 5, 1951.

[Subject:] Certification by the Secretary of Defense to the Economic Cooperation Administrator Pursuant to Section 1302

DEAR MR. FOSTER: There is attached herewith Certification No. 1, called for by Section 1302 (*a*) of the Third Supplemental Appropriation Act, 1951 (Public Law No. 45, approved June 2, 1951).

In view of the urgency of the matter, I have incorporated by reference the contents of several lists which have previously been promulgated by certain Departments of the Government. This will help to meet the early deadlines in the law inasmuch as these lists are already in the hands of the several Departments and the definitions are well understood. Since a number of articles and materials are present on two or more of these lists, there is necessarily a certain amount of duplication. These lists, moreover, were originally prepared with different purposes in mind, and the commodities enumerated therein vary in their strategic importance to the trade of the Soviet bloc. As you are aware, determinations as to which items on these lists (other than arms, ammunition and implements of war, and atomic energy materials) are regarded as of primary strategic importance have been made by the interdepartmental Advisory Committee on Export Policy on which the Department of Defense is represented.

The Department of Defense will add to or remove items from this Certification as it may consider necessary on the basis of further study.

Faithfully yours,

G. C. MARSHALL

[Enclosure]

JUNE 5, 1951.

CERTIFICATION NO. 1 TO THE ADMINISTRATOR, ECONOMIC COOPERATION ADMINISTRATION

Pursuant to the authorization and direction contained in Section 1302 (*a*) of the Third Supplemental Appropriation Act, 1951 (Public Law No. 45, approved June 2, 1951), I, GEORGE C. MARSHALL, Secretary of Defense, do hereby certify that the "articles or commodities" referred to therein are those contained in the following lists:

1. Presidential Proclamation 2776, "Enumeration of Arms, Ammunition and Implements of War" (Att. 1).
2. Lists A and B of the Atomic Energy Commission (Att. 2).
3. Positive List of Commodities of the Department of Commerce (Att. 3).
4. The Supplemental List of the Department of Commerce (Att. 4).
5. Department of Defense Stockpile List (Att. 5).

G. C. MARSHALL

Appendix 2

LIST OF COUNTRIES RECEIVING UNITED STATES ECONOMIC OR FINANCIAL ASSISTANCE

*Europe*

Austria
Belgium and dependent overseas territories
Denmark
France and dependent overseas territories
Greece
Iceland
Ireland
Italy
Luxembourg
Netherlands and dependent overseas territories
Norway
Portugal
Sweden
Trieste
Turkey
Western Germany
UK and dependent overseas territories

*Latin America*

Argentina
Bolivia
Brazil
Chile
Colombia
Costa Rica
Cuba
Dominican Republic
Ecuador
El Salvador
Guatemala
Haiti
Honduras
Mexico
Nicaragua
Panama
Paraguay
Peru
Uruguay
Venezuela

*Near and Middle East*
- Afghanistan
- Ceylon
- Egypt
- Ethiopia
- India
- Iran
- Iraq
- Israel
- Jordan
- Lebanon
- Liberia
- Libya
- Nepal
- Pakistan
- Saudi Arabia
- Syria

*Far East*
- Burma
- Indochina
- Indonesia
- Japan
- Korea
- Malaya
- Nationalist China
- Philippines
- Thailand
- Ryukyu Islands

*Other*
- Canada [2]
- Southern Rhodesia
- Spain
- Yugoslavia

[2] During its 97th Meeting on July 18, the National Security Council agreed to amend Appendix 2 to NSC 111 by removing Canada from its list of countries receiving United States economic or financial assistance. The Council determined that the Export-Import Bank loan under review was made in connection with operations in which the United States had practically the entire interest, thereby resulting in the conclusion that Canada did not receive assistance as contemplated by Section 1302. (Memorandum by Executive Secretary Lay, July 18, S/S–NSC Files, Lot 63 D 351, NSC 111–Kem Amendments.)

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450.6031/6–1151

*Memorandum of Conversation, by Mr. Roswell D. McClelland of the Office of Western European Affairs*

SECRET [WASHINGTON,] June 11, 1951.

Subject: Switzerland: East-West Trade Position

The Swiss Minister [1] called at his request at 11 a. m. He had not revealed in advance the purpose of his visit.

After a few preliminaries, Dr. Bruggmann said that he wished to reemphasize the importance his Government attached to the presence on a US delegation going to Bern to discuss East-West trade of an American representative with the necessary qualifications and authority to deal with Switzerland's situation as a whole, in particular the larger political aspects of its problem. The Swiss Government hopes to avoid talks exclusively with what Bruggmann referred to as "traffic policemen", that is technicians primarily concerned with the question of "which way materials go". Switzerland wishes very much to be able to deal with someone who is not just an enforcement

[1] Karl Bruggmann.

agent, the Minister stressed, but who can take "a broader view" of the Swiss position. He wondered in this respect whether Mr. (Nat) King from the Embassy at Paris would be able to participate. I said that I did not know.

Dr. Bruggmann repeated a number of arguments which he has advanced before concerning Switzerland's position of neutrality and the possible impact of our East-West trade policy thereon. The two principal ones, which are not without validity, were:

1) Switzerland is very desirous of maintaining international "confidence" in the genuineness and constancy of its neutrality. Once Switzerland embarks upon a course of "watering down its neutrality" by unilaterally embargoing exports to the East, for example, it will have undermined its reputation as a true neutral and its international status will no longer command the respect it now does.

2) The Swiss are afraid of radical changes in US foreign policy in the future as a result of possible developments on the American domestic political scene such as a Republican Administration in 1953. They apparently consider a major shift in US foreign policy interest from Europe to Asia quite within the realm of possibility. If Switzerland now incurs increased Soviet and Satellite hostility by cutting off certain exports to those areas at US insistence it may later find itself holding the bag should US foreign policy change along the above lines. The Swiss counter the argument that the United States is firmly committed in Europe and hence unlikely to withdraw its interest in that area, regardless of domestic political changes, by recalling the striking reversal in US policy toward the League of Nations following the First World War.

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460.509/6-1251: Circular telegram

*The Secretary of State to Certain Diplomatic Offices* [1]

SECRET
PRIORITY

WASHINGTON, June 12, 1951—2 p. m.

788. 1. Within next few days Dept intends call in reps Eur countries affected by Kem Amendment and to transmit officially to them:

*a.* copy of amendment [2]
*b.* copy of President's statement [2]
*c.* copy of ECA press release put out at time of certification to ECA of lists by Secy of Defense [3]

2. We wld inform them that Secy Defense list is composite of AEC list, Proclaimed list, Stockpile list, Positive list and Supplemental list

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[1] Drafted by Camp and cleared with Leddy, BNA, and WE; sent to London, Ottawa, The Hague, Brussels, Rome, Lisbon, Copenhagen, Oslo, Frankfurt, Bern, Stockholm, Belgrade, Madrid, Dublin, Vienna, Reykjavik, and Paris for Embassy and Excon.

[2] See the editorial note, p. 1073.

[3] For a summary of the ECA press release, see the Department of State *Wireless Bulletin*, June 7, 1951, p. 9.

of Dept of Commerce (i.e. I–C list); that list is now being printed and that copies will be forwarded when available.

3. We will ask them whether it is possible for them now to certify in accordance with amendment that listed goods are not being shipped Bloc.

4. If, as we anticipate, most reps indicate inability certify, we will request info on extent present controls. Since lists will not be available these prelim statements, on both sides, will obviously be of gen character. We will undoubtedly require more detailed info later on present and anticipated controls, nature and extent of trade, etc. This info will probably be requested through our missions in countries concerned.

5. FYI if in course of discussion it appears appropriate, we will indicate that after further review of lists and country replies to para 4, we will wish have further discussions with them on extending embargo to specific items of particular importance. We will indicate that Secy of Defense in certifying lists to the ECA stated that the goods listed were of varying strategic importance and that there was interdepartmental agreement on those of greatest importance. We will indicate that we are therefore most interested in obtaining coop in embargo on items which we believe to be of primary strategic importance and better controls than at present on other important goods.

6. We will indicate to reps of COCOM countries that we anticipate using that forum for multilateral discussion.

7. We will inform reps that because of pressure of time we anticipate a gen interim exemption will have to be made before June 18 and that it is not our intent to take action to terminate aid until we have had opportunity to review situation of each country with respect to SovBloc, and to discuss further either bilaterally or multilaterally in COCOM additional measures of trade control which we believe to be in common security interest. In light of factors affecting degree of controls which seem desirable and extent coop of country concerned, NSC will then have to weigh advantages and disadvantages of terminating aid.

8. We will tele separately proposals for further negot on tripartite and COCOM basis.

9. Eur countries believed affected by Kem amendment are COCOM countries, Yugo, Spain, Ireland, Iceland, and Austria. Switz is not covered by Amendment unless it is determined that mere participation in EPU is equivalent to receiving aid, an interpretation which we do not believe justified. Swedish situation unclear and still under review. Pending clarification we will not discuss certification.

ACHESON

Secretary's Daily Meetings, Lot 58 D 609,[1] June 1951

*Memorandum of Conversation, by the Director of the Executive Secretariat (McWilliams)*

[Extract][2]

SECRET [WASHINGTON,] June 12, 1951.

Subject: Summary of Meeting With the Secretary

Participants: Mr. Acheson
Mr. Matthews [3]
Mr. Cabot [4]
Mr. Nitze [5]
Mr. Barrett [6]
Mr. Thorp
Mr. Howe [7]
Mr. Reinhardt [8]
Mr. McWilliams
Mr. Battle [9]

. . . . . .

Item 3. *Status of Work on Kem Amendment*

The Secretary asked Mr. Thorp about the status of the work on the Kem Amendment. Mr. Thorp reported (1) that the Secretary of Defense had compiled his list which covered some seventeen hundred general category items with many sub-heads under each; (2) the general statement of exception had been drawn for submission to the Congress and he thought that the language was very good; and, (3) the Regional Bureaus began a series of discussions with the various ambassadors yesterday to explain the law to them and the request for information on which the NSC could base action for each country.

It was generally agreed by everyone present that this was a pretty awful mess and almost impossible for us to administer.

W. J. McWILLIAMS

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[1] Chronological collection of the records of the Secretary of State's daily meetings with top Department of State officials for the years 1949–1952, as maintained by the Special Assistant to the Secretary of State.

[2] The omitted sections summarized discussions of the Korean situation and Iran.

[3] H. Freeman Matthews, Deputy Under Secretary of State.

[4] Thomas D. Cabot, Director of International Security Affairs in the Department of State.

[5] Paul H. Nitze, Director of the Policy Planning Staff in the Department of State.

[6] Edward W. Barrett, Assistant Secretary of State for Public Affairs.

[7] Fisher Howe, Deputy Special Assistant for Intelligence.

[8] G. Frederick Reinhardt, Director of the Office of Eastern European Affairs in the Department of State.

[9] Lucius D. Battle, Special Assistant to the Secretary of State.

S/S–NSC Files, Lot 63 D 351, NSC 104–Memoranda

*Memorandum by the Deputy Assistant Secretary of State for Economic Affairs (Linder) to the Secretary of State* [1]

SECRET [WASHINGTON,] June 13, 1951.

Subject: National Security Council Agenda for June 13

Item 2—"NSC Determinations under Section 1302, 3rd Supplemental Appropriations Act of 1951"

The National Security Council agenda for June 13 includes the following items on which comments are provided below:

1. *NSC 111* [2]*—NSC Determinations Under Section 1302, Third Supplemental Appropriation Act, 1951* (The Kem Amendment)

This document is a proposed Interim General Exception under the Kem Amendment. In view of the impossible time schedule for certification provided in the Kem Amendment, it is necessary for the National Security Council to establish a general exception for all countries receiving United States economic and financial assistance within fifteen days of the enactment of Section 1302. If such a general exception is not made, it will be necessary under the terms of the Kem Amendment to terminate assistance in the absence of certification by each country receiving such assistance that it has not exported or knowingly permitted the exportation to the Soviet Bloc of items appearing on the list of arms and other articles or commodities which may be used in the manufacture of arms, certified by the Secretary of Defense on June 5, 1951. NSC 111 concludes that the National Security Council should determine that it would be to the security interest of the United States to make a general interim exception from the provision of Section 1302 for all countries now receiving economic and financial assistance from the United States. It is provided that this interim exception will be superseded as rapidly as possible by determinations under Section 1302 with respect to specific countries or areas. It is also provided that NSC 111 should be declassified and transmitted to the committees of Congress.

*Recommendation:*

It is recommended that NSC 111 be approved in its present form and transmitted to the necessary committees of Congress.

2. *Annex No. 1 to NSC 111* [3]*—Trade Between Austria and the Soviet Bloc; Annex No. 2 to NSC 111* [4]*—Trade Between Norway and the Soviet Bloc*

These are the first two country evaluations completed in accordance with Section 1302. Similar country evaluations will be prepared for

[1] Drafted by Wright and cleared with Leddy.
[2] June 8, p. 1095.
[3] For information concerning Annex No. 1, see the editorial note, *infra*.
[4] For information concerning Annex No. 2, not printed, see *ibid.*

each of the other sixty-odd countries receiving assistance. These two studies on Austria and Norway conclude that it would be to the security interest of the United States to make an exception from the provision of Section 1302 in the light of the reasons included in the "discussion section" of the document. As is the case with the general exception, it is also intended that these documents should be declassified and submitted to the necessary committees in Congress. It is believed that these two country studies will be illustrative of the varied types of situation covered by the Kem Amendment and will be indicative of the type of problem proposed by most countries receiving United States assistance. This problem is posed by the fact that most countries receiving United States assistance do export to the Soviet Bloc some of the items appearing on the Defense Department list, although the termination of assistance for this reason alone would be contrary to our national interest. The formula followed in these two country studies is to continue the examination of their trade with the Soviet Bloc and to seek measures for diminishing the flow of strategic commodities to the Soviet Bloc, through negotiation or other appropriate measures.

*Recommendation:*

It is recommended that the country studies be approved as they are contained in the Annexes 1 and 2 to NSC 111, and be transmitted to the necessary committees of Congress.

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*Editorial Note*

Together with the Secretary of Commerce, the Acting Economic Cooperation Administrator, the Chairman of the Export-Import Bank, the Acting Secretary of the Treasury, and the Director of Defense Mobilization, the National Security Council approved NSC 111 (page 1095) and Annexes 1 and 2 at its 94th Meeting of June 13. The approval was subject to amendments recommended by the Senior National Security Council Staff and to further changes made by the Staff in light of the discussion at the meeting. Once the reports were amended and approved, the Council was instructed to transmit them to the relevant Committees of Congress named in Section 1302 and to members of the Council as NSC Determinations 1, 2, and 3. Annex 1, "Trade between Austria and the Soviet Union," was approved and circulated as NSC Determination 2, June 14, and is printed in the compilation on United States policy with Austria in volume IV. Annex 2, "Trade between Norway and the Soviet Bloc," not printed, was approved and circulated as NSC Determination 3. (NSC Record of Action 494, June 13; S/S–NSC Files, Lot 66 D 95, Record of Actions–1951)

At the same meeting, the Council noted the First Progress Report on NSC 104/2, dated June 7 (page 1086), submitted by Under Secretary of State Webb. (NSC Record of Action 497, June 13; S/S-NSC Files, Lot 66 D 95, Record of Actions–1951)

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460.509/6–1351 : Telegram

*The Secretary of State to the Embassy in France* [1]

SECRET WASHINGTON, June 14, 1951—5 p. m.

PRIORITY

6810. For King. No distribution outside Dept. In talk with congressmen tomorrow (London's 6524),[2] you shld be aware that Reps Herter (R) and Battle (D) are key members House FonAff Comite whose support Dept hopes obtain in connection efforts to substitute new legis for Kem amendment. Other two Reps are Republican members House Appropriations Comite. Dept has had frequent contacts with Battle, who is chairman Subcomite of FonAff Comite which we hope will recommend new legis. Battle Subcomite has published report on Excon situation [3] which is generally constructive and recognizes validity of our basic premise that while certain goods shld be completely embargoed there are econ and polit advantages to be derived from continued trade in others of lower strategic importance. Believe it important that congressmen fully apprec accomplishments and problems of COCOM.

FYI only, Battle has prepared confid draft of new legis and has requested Dept views. You may indicate awareness Subcomite investigations and existence report but shld not mention draft legis.

ACHESON

[1] Drafted by Ainsworth and cleared with Camp and Leddy.

[2] Not printed; it informed the Embassy in Paris of the arrival of a Congressional delegation including Laurie C. Battle, Representative from Alabama, Frederic R. Coudert, Jr., Representative from New York, Christian A. Herter, Representative from Massachusetts, and Richard B. Wigglesworth, Representative from Massachusetts. (033.1100–WI/6–1351)

[3] For information concerning the "Battle Report", see the editorial note, p. 1176.

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460.509/6–1451 : Telegram

*The Secretary of State to the Embassy in France* [1]

SECRET WASHINGTON, June 14, 1951—6 p. m.

PRIORITY

6821. Excon. Ref Depcirtel 788 June 12.[2]

1. In forthcoming Excon negots with COCOM PCs, Dept will seek to extend and tighten controls much as possible, consistent with broad

[1] Drafted by Ainsworth and cleared with Camp, Leddy, Moffatt of Defense, Cox of ECA, and Rex A. Anderson of the Department of Commerce; repeated to London and by airpouch to Rome, Brussels, The Hague, Frankfurt, Copenhagen, Oslo, Lisbon, Ottawa, Vienna, Bern, and Stockholm.

[2] *Ante*, p. 1104.

security interests of US and allied nations, and hopes to reach agreement on framework of controls which can more easily be defended under requirements of existing or possible future legis here. In view of interested US agencies, this calls for US attempt to (*a*) achieve closest possible identity between Internatl List I and US list of items of primary strategic importance; (*b*) clarify conditions under which exceptions to embargo rule may be justified, especially as to prior commitments; and (*c*) tighten controls over items of secondary strategic importance.

2. Interested US agencies have completed prelim review of items on US List IA (May 11 version) but final action has been deferred pending appeals by Dept and ECA on rating certain items. We believe it preferable postpone presenting List to UK and Fr until finally agreed here. When appeal items have been dealt with, it is our hope that items recommended can be justified for embargo under criteria agreed for Internatl List I, although we recognize that valid differences of view may arise in borderline cases. We hope such differences can be resolved in favor of *de facto* embargo (for example, acceptance for List II with quota of zero, esp if past shipments excessive, until such time as better info justifies some other disposition). We believe that in gen IA items are of little significance in terms of trade volume or value between WE and EE as a whole. We recognize however that in some cases items are of considerable importance to certain countries in bargaining for essential imports from EE. Therefore addition these items to List I will give new emphasis to question of exceptions.

3. Dept believes it essential not to weaken List I as true embargo list by allowing exceptions, unless they can be clearly justified. (For this reason we wld prefer accept borderline IA items for List II with zero quota, rather than insist on List I.) Although very little if any use has thus far been made of Alphand formula, we believe it important to clarify that "hardship exceptions shld only be made after mutual consultation and only when exporting country wld otherwise face certain loss of supplies from SovBloc which are essential to support its defense effort and which cannot be obtained from Western sources without undue sacrifice". Exceptions in order fulfill prior commitments is important loophole, in our view, and in case of List I items we believe such exceptions shld not be made unless official commitment of govt is involved and unless govt reports that the particular export is necessary for specific reasons such as those which govern in situations of special hardship. Although we apprec delicacy this matter, we believe it important that the facts justifying individ exceptions either be brought out through discussion in COCOM (as in hardship cases) or be reported to COCOM in some manner (in case of prior

commitments). Mere ref to existence of prior commitment shld not be sufficient.

4. Regarding treatment of List II items, Dept will soon transmit detailed comments on Brit QC memo May 16 (London Desp 5555),[3] and seek to meet Brit criticisms wherever possible. Present thinking however is that we must seek recognition of principle that exports of items of secondary strategic importance shld only be permitted where need for *quid pro quo* is clear; ie, they shld not be exported merely in order maintain or develop markets in SovBloc or take advantage favorable prices, and essential goods shld be obtained in return. If combined with efforts to estab reasonable limits or quotas beyond which exports these items shld be denied on strategic grounds, we believe such approach offers reasonable guarantee of adequate security controls over this type of goods.

5. As to procedure, present thinking is that there shld be prelim tri discussion of policy questions involved, followed by presentation of US proposals if possible with UK and Fr support for discussion with other PCs in a CG mtg soon as possible after tri policy talks end (at which point tri technical talks might begin). US proposals to CG wld include transmittal of final US List IA for study by PCs, suggested criteria for exceptions to embargo, and whatever may be agreed in tri talks with respect to principles and procedures for tightening List II controls. Assuming consultation with Govts wld be necessary before CG–COCOM cld take specific action on US proposals, there shld be sufficient time to complete tri discussions of technical nature so that specific tri proposals re IA and List II items can be submitted to COCOM by time other Govts prepared for detailed discussions.

6. We believe important to begin tri talks as soon as possible. Anticipate US agencies will complete review of IA List by end of month and hope export statistics on List II items can be collated by COCOM secretariat by same date. Prelim tri talks cld begin then or in first days July.

7. Comments USDel COCOM requested urgently, esp as to procedure and timing. Foregoing is for your info only at this time. As soon as plan of action definitely decided in light your comments, Dept will decide whether to discuss agenda and timing with UK and Fr Embs here, or request Embs London and Paris make arrangements, or coordinate matter through COCOM Dels.

ACHESON

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[3] Not printed; it transmitted the text of a British proposal regarding quantitative controls over exports to the Soviet bloc together with the text of a covering letter from the Foreign Office. (461.419/5–1751)

740.5/6–1551 : Telegram

*The United States Deputy Representative on the North Atlantic Council (Spofford) to the Secretary of State*

SECRET LONDON, June 15, 1951—5 p. m.

PRIORITY

Depto 1128. (*Section one of two*) Excon. Subj is NATO action on controlling exports scarce materials to Sov bloc.

1. Brief report on CD discussion this subj June 13 contained in Depto 1123 of June 14 rptd Paris as 2711.[1] Working group referred to last sent para 1 reftel met June 14. Next working group mtg afternoon June 18, but US rep plans meet with Nor, Neth and Danish reps on June 16 for informal drafting session. Fol msg gives further background on Eur country reactions to US draft res and seeks guidance re further development our position.

2. At June 13 mtg US dep made strong statement in support US draft res, giving US interpretation major points along lines Todep 483 of June 5 rptd Paris 6597 [2] and Todep 499 of June 8 rptd Paris 6676.[3]

He also distributed excerpts from Pres statement June 2 [4] on Kem amendment to illustrate US interpretation of "security interests" and NATO def needs. UK fully endorsed US draft res at CD mtg June 3 after our expression concurrence with Brit interpretation reported in Depto 1090 of June 8 rptd Paris 2640.[5] However, Br passive participants in working group.

3. Norway has taken lead in opposing US draft res with support at most points from Neth and Denmark. Fr position more moderate, but reflects gen "go slow" attitude.

4. First line of attack has been alleged inadequacy of DPB review of def needs, leading to proposal formally tabled by Norway in working group to refer lists back to DPB for preparation more detailed statement of data underlying DPB findings. We have strongly resisted such time-consuming procedure on ground shortage for def purposes of commodities in ques is common knowledge, that DPB is competent body to make such factual judgments and contains reps from all NAT govts, and that appropriate procedure in case any govt now desires to reopen ques is to raise matter in DPB thru its member of that board. We plan hold rigidly to this position and believe can secure acceptance, especially if final res contains incidental ref to possibility of DPB deleting items from present lists as well as adding further items to lists.

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[1] Not printed; it summarized the discussion of the 47th Meeting of the Council Deputies on June 13 during which a discussion of export controls, which is more fully elaborated in the source text, took place. (740.5/6–1451)

[2] Not printed, but see the first footnote 2, p. 1084.

[3] Not printed, but see footnote 6, p. 1095.

[4] See the editorial note, p. 1073.

[5] *Ante*, p. 1093.

5. Second major objection to US draft res is definition of embargo exceptions in terms of "security interests." Continental countries greatly reassured by US acceptance of Brit interpretation, by USDep's quotation of Pres's msg on Kem amendment, and USDep's statement that these words shld be regarded "as covering all of vital elements involved in building up and maintaining a country's capacity to resist aggression." However, actual wording still gives major trouble, especially since it is claimed that translation into Fr and other languages conveys no implication beyond strictly milit considerations. Believe, however, that we can surmount this problem by giving Brit interpretation more formal status, or possibly by including its key language in text of res itself, supplementing and explaining words "security interest," which we wld in any case retain. If forced to take latter course, presume you wld have no objection.

6. Third difficulty has been that foreseen in para 8, Depto 1090, rptd Paris as 2640—namely fear that adoption US draft res wld commit each country to embargo action unless it cld secure collective endorsement in FEB of its own concept of its "security interests." USDep stated in CD that, in accepting US res, "member govts wld be accepting responsibility to justify in FEB, in terms of their 'security interests', any departure from generally agreed principle, but if after discussion in that body and full consideration views advanced by other countries, a member govt persisted in believing that an exception to rule wld best serve its security interests, it wld not be committed by US res to act contrary to its best judgment". In further elaboration of this position in working group, US rep pointed out that, very strictly speaking, even if a country claimed no "security interests" reason for failing to institute embargo, it wld not be required under US res to take any action until FEB considered "specific measures" of implementation CD decision. However, US rep said he believed that in circumstances described, countries shld feel strong moral obligation to proceed expeditiously with embargo action. Believe these clarifications have greatly reassured Eur countries and no further serious trouble anticipated in this direction.

(*Section two of two*)

7. Fourth and most serious difficulty is strong desire most continental countries to postpone decision, even in principle, on necessity for embargo until all other possibilities of conserving scarce materials for NAT def purposes have been explored. This leads to proposal, incorporated in Nor draft referred to in para 4 above, simply to refer matter at this stage to FEB for study and report back to CD as to what remedial measures might be undertaken. This procedure contemplates FEB undertaking gen review of statistical supply/demand posi-

tion of commodities in question, determination of essential civilian requirements, consideration of possibilities for restricting non-essential uses, and possibilities of assuring greater availabilities to NAT countries, including stimulation production in overseas territories, etc. Embargo action, in short, is viewed as last resort if no other effective remedial action proves feasible. Our response to this line of argument has been to grant that if and when effective action in other directions eliminates shortage for def purposes, item concerned wld be removed from DPB list and obligation to impose embargo wld disappear. We have insisted, however, that, in meanwhile, embargo action shld be taken (subj always to exception for "security interests"). Issue therefore becomes merely matter of timing, but we believe acceptance Nor position wld involve intolerable delays.

8. US res already called for FEB consideration of other conservation measures, in addition to, rather than in substitution for, embargo measures, and some elaboration of this language may help. Further possible concession wld be to specify time period (say two months) during which embargo action wld be suspended pending FEB report back to CD as to whether def shortages cld be remedied with equal effectiveness by alternative measures. (Note throughout that under our ground-rules, strategic reasons for withholding supplies from the Sov bloc are relevant to COCOM rather than NATO action.) We wld be most reluctant to make this compromise in view already heavy FEB burdens in coming months, and strong probability that at end of two months continental countries wld insist upon extension of time. However, your comments requested.

9. Fr have been pressing two lesser points, namely, what acct is to be taken of existing comm agreements, and what arrangements wld be made to assure corresponding FedRep action. We have brushed first point aside by calling it technicality to be considered by FEB, and wld be very reluctant to accept any specific exception for comm agreements in our res. Your guidance requested in case Fr persist. Discussion German question has been postponed until working group mtg June 18, when plan to take fol position: Wld be desirable obtain parallel embargo action by Germany; occupation powers through HICOM wld seek this objective, or consultations cld be arranged through COCOM. However, unlike strategic embargoes which may be rendered useless by continued third country exports, in present case purpose is to retain supplies for NAT def; even if Ger is not persuaded to fol NAT example, it is still valuable for NAT countries to take this conservation action themselves. Plan to respond similarly to other comments which Fr have been advancing re necessity for assuring stoppage of third country exports (Fr example is wool from Australia).

10. Comments on foregoing from OSR and King wld be appreciated.[6]

Sent Dept Depto 1128; rptd info Paris for Emb (King) and OSR 2729.

SPOFFORD

[6] In telegram Todep 526 to London, June 16, the Department of State noted its concurrence with the general line taken in the source text. (740.5/5–1551)

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460.509/6–1651 : Telegram

*The Ambassador in France (Bruce) to the Secretary of State*

SECRET PARIS, June 16, 1951—2 p. m.

7831. Excon. ReDeptel 6821, June 14.[1]

1. We agree it preferable postpone presentation list to UK and France until final US Govt position reached. In gen we concur with views expressed para 3 reftel, particularly device placing on list II with zero quota items objected to by other PC's for List I. Hope that this device wld be used extensively in connection with tri and COCOM consideration forthcoming US proposals.

2. We interpret Dept proposals in reftel as considerably expanding original plan for tri QC review by including additional 1A and 1B items whether or not previously considered by tri or COCOM. What is Dept plan for US items and proposals not agreed upon in tri negotiations? Will they be withdrawn or nevertheless urged in COCOM?

3. Reftel raises what we consider basic questions, i.e. (*a*) will US continue practice followed since Sept FonMin mtg of seeking tri agreement before submitting to COCOM matters of importance including large augmentation of lists, or (*b*) does Kem Amendment change situation so that important US proposals will be made to COCOM without resort to firm tri agmt? Issue is whether there will continue be realistic give and take multilateral negotiations which involve US establishing strategic character of proposals on basis of intelligence, use, info, etc. or whether US proposals will in future be presented on more or less take it or leave it basis with PC's left to show reasons why agmt wld not be feasible.

4. Regardless how US proposals will be made we believe it imperative there be careful advance preparation which shld consist of (1) rationale for control, (2) list of items proposed, and (3) explanatory matter concerning item such as contained in COCOM doc 210 and relation, if any, of items to present international lists. We believe it essential that rationale of US COCOM proposals and strategic con-

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[1] *Ante*, p. 1109.

siderations be advanced in documentary form regardless of Kem Amendment.

5. As to amount of time involved in tri and COCOM we believe several months very minimum necessary before any results can be expected. London tripartite mtg required some two months, additional two months required for PC acceptance London agmt and three more months required in COCOM to revise and put IL's in final form. Translation requires considerable time and cannot be overlooked as a delaying factor.

6. We think procedure suggested para 5 reftel depends on answers to question raised in para 2 and 3 above. In any event we believe agenda, timing, and tri and subsequently COCOM procedure shld be discussed with UK and French Embs Washington when US plan definitely decided upon. This shld permit more expeditious action by permitting direct referral to FonOff.

7. Collation COCOM IL II statistics shld be ready by end June but we seriously question whether they will be of much value.

8. Wld appreciate being informed items appealed by Dept and ECA (para two reftel).

BRUCE

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Secretary's Daily Meetings, Lot 58 D 609, June 1951

*Memorandum of Conversation, by the Director of the Executive Secretariat (McWilliams)*

[Extract] [1]

SECRET [WASHINGTON,] June 18, 1951.

Subject: Summary of Meeting with the Secretary

Participants: Mr. Acheson
Mr. Matthews
Mr. Barrett
Mr. Nitze
Mr. Cabot
Mr. Byroade [2]
Mr. McCloy
Mr. Harriman
Mr. McWilliams
Mr. Battle

Item 1. *Kem Amendment*

There was a general discussion of the Kem Amendment . . .[3] the consensus of opinion being that the issue would get a lot hotter before

[1] The omitted sections summarized discussions of the Iranian oil situation, shipments to Communist China, Bolivian tin, and Korea.

[2] Henry A. Byroade, Director of the Office of German Affairs in the Department of State.

[3] Ellipsis in the source text.

it cooled off. After the discussion, the Secretary said there were four things which he would like to see done which are as follows:

(1) From the public relations aspect, we should make every effort to inform various groups of the issues involved;

(2) We should be sure that testimony presented on the Hill by various administration witnesses is consistent;

(3) We should plan to make visits to various Senators and Congressmen to inform them on the issues and supply them with material for speeches, etc.; and,

(4) Take appropriate action to get CIA to cease circulating unevaluated reports on shipments of goods without reporting the reasons for the shipments.

I have talked to Mr. Barrett, Mr. Ben Brown,[4] Mr. Linder and Mr. Armstrong about these points and they are working on them.

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W. J. McWilliams

[4] Ben H. Brown, Jr., Deputy Assistant Secretary of State for Congressional Affairs.

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400.009/6–1951

*Memorandum of Conversation, by the Acting Chief of the Economic Defense Staff (Moline)*

Washington, June 19, 1951.

Subject: Proposed Revision of Confidential Committee Print of the the So-called Battle Bill

Participants: Mr. Roy Bullock, Staff member, House Foreign Affairs Committee
Messrs. Cardozo [1] and Moline, Department of State
Messrs. Quint and Rodgers, ECA

The meeting with Mr. Bullock was for the purpose of giving to him a copy of a proposed revision of the so-called Battle Bill, and to explain to him the reasons for the suggested deletions and inserts. Mr. Bullock said at the conclusion of the discussion that, even though it is still not clear that the House Foreign Affairs Committee will wish to take any specific action in support of a bill of the kind contemplated, he appreciated receiving the proposed revision which he believed improved the bill in many respects.

The principal point of substance raised by Mr. Bullock was in connection with the exception clause. He said that he was certain in his own mind that the Committee and the Congress were not going to accept a clause which appeared to give the President or any other individual or body as wide discretion in the matter of granting excep-

[1] Michael H. Cardozo, Assistant Legal Adviser for Economic Affairs.

tions as the proposed clause appeared to do. He said there was an evident belief that some of the large countries, particularly the UK and France, could afford, with some additional belt tightening, to stop trade with the Soviet bloc. There should be no discretion given in the matter of granting exceptions if the UK, for example, should fail to comply with the intent of the bill in the matter of stopping trade in the more limited list of items which the bill, in contrast to the Kem Amendment, was seeking to embargo.

As an example of his own ideas on a narrower exception clause, he showed a draft which would permit exceptions in favor of countries having boundaries contiguous to the USSR or its satellites, or which were in such exposed position as to make compliance with the intent of the bill difficult or impossible. He said he was seeking to provide a means for exceptions in favor of Germany, Austria, Norway, etc. by his first clause, and for a country like Indonesia by his second clause.

The only other points on which he seemed to be doubtful were in regard to the suggested deletion of Section 302 directing the President to take measures to obtain action by the United Nations against the USSR, and Section 103–A, which would give the coordinator the task of determining the items of primary strategic significance which should be embargoed to effectuate the purpose of the Act.

ECA questioned Section 304 with regard to making funds available for carrying out the Act from the funds provided for the Economic Cooperation Act of 1948 as amended.

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740.5/6–1951 : Telegram

*The United States Deputy Representative on the North Atlantic Council (Spofford) to the Secretary of State*

SECRET LONDON, June 19, 1951—6 p. m.

Depto 1142. Excon. Re: Depto 1128, June 15, rptd Paris 2729;[1] and Todep 526, rptd Paris 6888.[2]

1. Greatly appreciated receipt Todep 526. Working gronp mtg June 18 produced agreement on all points except on question of whether CD agrees forthwith to principle of embargo (see para 2 below). Norwegian, Danish, and Netherlands reps have now withdrawn insistence upon referring lists back to DPB in view fact resolution now contemplates possibility DPB deleting items from list as well as adding them (see para 4, Depto 1128). Agreement also reached on retention "security interest" language in exception clause but with addition in resolution itself of language of British interpretation (see para 5 reftel).

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[1] *Ante*, p. 1112.
[2] Not printed, but see footnote 6, p. 1115.

2. Although we have now agreed to place more emphasis in resolution on FEB consideration other conservation measures, issue still remains of whether FEB should proceed immediately to implementation of embargo principle or whether it should consider necessity embargo measures simultaneously with alternative measures with view to working out general program for remedying defense shortages. Key paragraph in resolution on this subject reads as follows (parenthetic language is alternative supported by Norway, Denmark, Netherlands, and possibly Belgium):

"Conclude: that, so long as items continue to be listed by DPB as being in short supply for NAT defense purposes, their supply to Soviet Union or areas under its domination or control should be denied (it may be necessary to deny their supply to the Soviet Union or areas under its domination or control) except to extent indicated by overriding considerations arising out of security interests or exporting country concerned, term 'security interest' being understood to include necessity to secure imports which must be obtained from Soviet bloc to sustain basic economic strength of NAT countries".

3. Alternatives will be presented in this form to CD meeting on June 25. Meanwhile hope convince dissenting delegations with arguments along lines para 7, Depto 1128. Incidentally, some wind taken out of Norway's sails by announcement blanket exception under Kem amendment for Norway. Further background on this decision would be very helpful.

4. French again raised in working group meeting June 18 two questions reported in para 9 Depto 1128. They seemed satisfied with our suggestion let FEB handle problem of commitments under existing commercial agreements, but German issue proved more difficult. Separate message on this subject, rptd to Frankfort, follows.[3]

Sent Department Depto 1142 repeated info Paris 2744 for Embassy (King) and OSR.

SPOFFORD

[3] *Infra.*

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740.5/6–2051: Telegram

*The United States Deputy Representative on the North Atlantic Council (Spofford) to the Secretary of State*

SECRET

LONDON, June 20, 1951—1 p. m.

Depto 1145. Excon.

1. In working group discussion June 18 Fr rep again raised question of associating FedRep with NATO action on embargoing exports of scarce materials to Soviet bloc. US rep said his govt would be glad to join with other occupying powers through HICOM in informing FedRep of NATO decisions and inviting FedRep's cooperation. He

added that he believed such cooperation wld be readily forthcoming in view of FedRep's reiterated desire to collaborate in allocation scarce materials and in support NATO defense effort.

2. Fr rep, speaking personally, doubted whether his govt wld be satisfied with this and said that Fr dep wld probably make more specific suggestions at next CD mtg. He indicated that Fr were thinking along lines of (*a*) imposing NAT decisions in this matter upon FedRep through exercise of powers under occupation statute, and; (*b*) having reps of three occupying powers in FEB present to that body justification for any departures by FedRep from embargo principle.

3. Particularly unfortunate that Fr raised this issue in NATO body rather than among occupying powers since other countries now given new excuse for delay. Fr rep was supported by Neth and Den reps, although believe latter wld not persist if Fr withdrew.

4. Your guidance on this matter wld be greatly appreciated. Quite aside from relations between occupying powers and FedRep, we believe relations between NATO and FedRep would not be well served by using powers under occupation statute to force FedRep to join in NATO measures. Also representation of FedRep in FEB reps of three occupying powers wld seem to us particularly unfortunate at this time. Furthermore, (*a*) so far as we are aware FedRep exports to Sov bloc (ignoring illegal trade) are already restricted to those which could be justified in terms of FedRep's "security interests"; (*b*) to extent this is not already true, presume it will soon be as result of administration Kem amendment although believe we shld be chary in using this argument in NATO; and (*c*) in any case, failure of FedRep to follow NAT example shld not be regarded as excuse for inaction by NAT countries, and wld not destroy utility of NAT countries taking their own measures to conserve scarce materials for defense needs by embargoing their export to Sov bloc.

5. For HICOG—pls note foregoing message relates to resolution pending before CD on which hope for final action June 25. US has proposed resolution, adoption of which wld commit NAT countries in principle to deny to Sov bloc supplies of materials declared by DPB to be in critically short supply for NAT def purposes, "except to extent indicated by overriding considerations arising out of security interests of exporting country concerned, term 'in security interests' being understood to include necessity to secure imports which must be obtained from Sov bloc to sustain basic econ strength of NAT countries." Procedure contemplated is that on basis this policy declaration, FEB wld be requested secure prompt agreement among NAT countries as to specific measures to be taken, it being understood each country wld remain final judge of its security interests but bound to

justify in FEB in terms of this criterion any failure on its part to embargo listed materials.

Sent Dept Depto 1145, rptd info Paris 2750 for OSR, Frankfort 1380.

SPOFFORD

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460.509/6–2051

*Memorandum by the Deputy Assistant Secretary of State for Economic Affairs (Linder) to the Secretary of State*[1]

CONFIDENTIAL [WASHINGTON,] June 20, 1951.

*Developments Under the Kem Amendment and Program for Future Action*

*Actions taken to date*

The Bill containing the Kem Amendment was signed by the President on June 2. The signature was accompanied by a critical message stating that the sweeping provisions of the Amendment would require the National Security Council to make broad use of the exception provisions (Annex A).[2]

The list of items which other countries would be required to embargo under the Kem Amendment as a condition of aid was certified by the Secretary of Defense to the Administrator of the Economic Cooperation Administration on June 5. In his letter Secretary Marshall pointed out that the commodities enumerated on the list varied in their strategic importance in trade to the Soviet bloc and that only a portion of the items have been regarded by this Government as of primary strategic importance.

During the week of June 11 the Department called in the representatives of all foreign countries receiving aid—except Ethiopia, Iran and Syria—and asked them whether their governments could meet the requirements of the Kem Amendment before the deadline of June 18 provided for in the Bill. The foreign representatives were provided with a copy of the Kem Amendment, the President's message, and a press release issued by the ECA describing in general terms the scope of the embargo list certified by the Secretary of Defense. It was explained that copies of the list were not yet available but would be transmitted as promptly as possible.

The representatives of the following countries indicated that their governments would probably be willing to meet the requirements of the Kem Amendment: Spain, Portugal, Yugoslavia, Iceland, Ireland, Formosa, South Korea, Thailand, Philippines, Israel, Liberia, Costa Rica, Haiti, Honduras, the Dominican Republic and Nicaragua.

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[1] Drafted by Leddy.
[2] Not printed.

In expressing this view, however, the representatives of some of the countries, which have been trading with the Soviet bloc, may not have fully appreciated the scope of the lists of items proscribed by the Amendment.

The representatives of the other countries stated either that their governments probably would not be able to certify or that no reply could be given until the list had been received and the matter had been given full consideration by the appropriate governmental authorities.

On June 14 the National Security Council approved a general interim exception under the Kem Amendment which temporarily excepted all countries from the provisions of the Amendment pending an examination of the situation of each country. The National Security Council also made special country exceptions for Norway and Austria. These exceptions were transmitted to the six committees of the Congress referred to in the Kem Amendment and were published by the White House on June 15. A copy of the interim general exception, together with the list certified by the Secretary of Defense, is attached as Annex B.[3]

Immediately prior to the submission of the NSC exceptions to Congress, Messrs. Thorp, Bissell, Porter and Leddy met with the Subcommittee on Economic and Social Affairs of the Senate Foreign Relations Committee. Senators George, Connally and McMahon were present. Mr. Thorp outlined the general scope of the Kem Amendment, explained the need for exceptions, and described the NSC action in general terms. He also summarized the actions that we have taken with respect to foreign governments so far. The presentation was, on the whole, well received and at the close of the meeting Senator Connally remarked that the Committee wanted to be helpful on this and was fully aware of the necessity for maintaining flexibility in the administration of the Amendment.

Over the weekend following publication of the NSC exceptions Senators Kem, Wherry and Cain issued statements declaring that the action by the NSC was a clear circumvention of the intent of the Kem Amendment. This was disputed by Congressman Cannon, who said that it was the understanding of the House that action of this kind would have to be taken (a similar statement was also made by Senator McKellar who had been chairman of the Conference Committee). He referred to his remarks in the House at the time of passage of the Kem Amendment when he stated that the Amendment would have to be interpreted broadly and administered flexibly. Editorial comment in the Sunday papers on the statements by Kem, Wherry and Cain appeared only in the *New York Times* and the *Washington Post.*

[3] Not printed.

Both editorials were favorable to the Administration. A very sympathetic article by Felix Belair quoting liberally from the general and specific exceptions appeared in last Saturday's *New York Times.*

*Program for future action*

Our program for future action should consist of three elements: (1) negotiations with other governments, particularly in Western Europe, to achieve a further tightening of East-West trade controls; (2) the development of a public relations program designed to gain wider public understanding of the nature of the East-West trade problem and the deficiencies of the Kem Amendment; and (3) a plan of action to obtain intelligent legislation on this subject.

*Negotiations with other governments*

The list certified by the Secretary of Defense will be transmitted to other governments this week. Following transmission we should initiate programs in each of the four geographical areas as follows:

*Western Europe.* In Western Europe our object should be to obtain agreement by the Western European governments to embargo shipment to the Soviet bloc of all items of primary strategic significance which are also embargoed by the United States and to establish tighter quantitative controls over items of secondary strategic significance. Quantitative controls over items of secondary strategic significance should take the form of (*a*) the establishment of zero quotas, (*b*) percentage cutbacks, or (*c*) agreement not to ship the item concerned except under trade agreements providing a balance of advantage to the West. Such action if taken by the Western European governments would not of course fully satisfy the sweeping provisions of the Kem Amendment. It would, however, make much easier the job of defending the NSC exceptions for each country which will be submitted to the Congress.

We should also clarify the status of the present Western European embargo on the shipment of arms, ammunition and implements of war. It is believed that there are variations in the coverage of the munitions lists of the various countries and we should try to make all such lists at least as extensive as our own.

*Latin America.* About the time the Kem Amendment passed the Congress we instructed our missions in the other American Republics to request the other governments concerned to adopt security export controls completely parallel to our own. This action was taken pursuant to a resolution on economic defense adopted at the recent consultation of American Ministers held in Washington. The institution of extensive export control systems in the other American Republics may take some time. Therefore we should now move promptly to ask the other American Republics to institute selective embargoes on those items of real significance. They have already taken such action in a number of cases (e.g. petroleum, henequen and copper) but additional items should be brought under control promptly. If this is done the security significance of Latin America's trade with the Soviet bloc will be negligible.

*The Near East and Far East.* In these areas separate programs should be formulated for the different countries. In certain cases it

will be possible for us to get fairly complete cooperation. In others it will be extremely difficult to do so. Where a reasonable degree of cooperation is not forthcoming serious consideration may have to be given to the termination of economic and financial assistance.

*Public relations program*

It is understood that Mr. Barrett has been given the responsibility, in cooperation with E, for developing a wider public understanding of the issues involved in the East-West trade problem. Several channels are available for this purpose:

1. The publication of factual materials by the Administration. The preparation of such materials in the Department had already been started before the passage of the Kem Amendment and will be speeded up. Work in this field by the Economic Cooperation Administration would also be useful.

2. Publication of the NSC country exceptions. Interdepartmental arrangements have been made for the drafting of individual country exceptions which should come before the NSC at the rate of three or four a week. Every effort is being made to draft these exceptions in a form that can be published and in a manner which will bring out as fully as possible the reasons why the continuation of aid to the countries concerned is essential in the security interests of the United States even though that country is unable to take the full action envisaged by the Kem Amendment.

3. Congressional hearings. Congressional hearings on East-West trade matters should provide an opportunity for Administration witnesses to hammer home the essential points on which Congressional and public understanding is required. Such hearings are likely to take place in one or more of the six committees to which the NSC exceptions are submitted, in the committees considering the foreign aid bill, and in the Special Subcommittee on East-West Trade of the House Foreign Affairs Committee (the Battle Committee). During these hearings there should be close coordination among the Department, ECA, Commerce and Defense to assure general consistency of Administration testimony.

4. The Committee on the Present Danger, the National Planning Association and the Committee on Economic Development. The Department has already established liaison with the Committee on the Present Danger and the National Planning Association in regard to East-West trade matters. It is hoped that the three organizations will be able to agree on a policy statement regarding the problem and our objectives and on a study in some detail of the facts of the problem. We have agreed to supply the committee staff with all available public material on the subject and selected confidential papers. It is hoped that the committee's report on the foreign aid bill will contain statements on East-West trade which will help us in obtaining more favorable legislation.

5. In addition discussions are to be held with various industrialists, several of whom have been called by Ambassador Cowan, and with labor representatives who will be reached through Mr. Berger in Mr. Harriman's office. The P area will assist in enlisting the support of various public groups.

*New legislation*

In his message on the Kem Amendment the President urged the Congress to give prompt consideration to the passage of more workable legislation. It is believed that the Battle Bill now being considered by a Special Subcommittee of the House Committee on Foreign Affairs may offer the most promising opportunity to achieve this objective.

The Battle Subcommittee has issued a report on East-West trade which in general is satisfactory. Congressman Battle has provided the Department, ECA, Commerce and Defense with a confidential print of his Bill. While the Battle Bill as it now stands is not adequate and would be worse than the Kem Amendment, we believe from our conversations with Congressman Battle that it can be substantially improved and that Congressman Battle is anxious both to assure Administration support and to get workable legislation.

In its present form the Battle Bill has the following deficiencies:

(*a*) The embargo list, while shorter than the Kem list, is still too long and would cover many items not of primary strategic significance.

(*b*) No provision is made for exceptions. Failure of a foreign country to embargo each and every item in the Battle Bill would require termination of aid.

(*c*) Power to terminate aid would be given to a subordinate officer of the Government rather than to the President.

(*d*) The United States would be required to propose in the United Nations an embargo against the Soviet bloc similar to that now being worked out for Communist China. This would put us in the position of naming the USSR as an aggressor.

The Battle Bill also provides for the termination of military as well as economic aid, and unless the defects cited above are remedied this provision would be most dangerous. However we are reasonably certain of reaching a satisfactory agreement with Congressman Battle with points (*a*) and (*d*), above, and believe we can convince him of the necessity for modifying the mandatory requirement cited in point (*b*).

The Department, ECA, Commerce and Defense have agreed on a revised version of the Battle Bill (Annex C).[4] This revised draft was handed informally to a member of Mr. Battle's staff June 19. The four agencies will send letters of comment to Chairman Richards today which will indicate the specific points which require revision in the view of the Administration but will not formally submit the textual changes. It is our belief that Mr. Battle would prefer to have these changes originate with the Subcommittee rather than with the Administration.

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[4] Not printed.

549-782—79——72

It is possible that as a result of the statements by Senators Kem, Wherry and Cain an effort will be made to eliminate the exception provisions of the Kem Amendment in connection with additional supplemental appropriation bills. We should be prepared for this eventuality while continuing to work on permanent legislation with the Battle Subcommittee.

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740.5/6–2151 : Telegram

*The United States Deputy Representative on the North Atlantic Council (Spofford) to the Secretary of State*

SECRET LONDON, June 21, 1951—8 p. m.

Depto 1158. From Spofford for Ambs Bay,[1] Anderson,[2] Chapin,[3] and Murphy.[4]

1. Sensitive problem of East-West trade is before deps in form of res which USDep, supported by Brit, has introduced. In view nature of issue and fact that govts to which you are accredited have thus far not accepted US view wish to report present status to you for your gen info and for such support as you may be able to give to current negots.

2. Issue is whether or not CD shld now agree in principle that NAT countries shld deny to Sov bloc (through export embargo or other measures) materials declared by Def Production Board to be in critically short supply for NAT def purposes, subj to an exception protecting each country's "security interests". Specifically, following is key para in res which will be considered by CD June 25, in which alternative shown in parentheses is still being advocated by Norway, Den, Neth and probably Belgium:

"Conclude: that, so long as items continue to be listed by DPB as being in short supply for NAT def purposes, their supply to Sov Union or areas under its domination or control shld be denied (it may be necessary to deny supply to Sov Union or areas under its domination or control) except to extent indicated by over-riding considerations arising out of security interests of exporting country concerned, term security interests being understood to include necessity to secure imports which must be obtained from Sov bloc to sustain basic econ strength of NAT countries".

3. Under either form of this para, FEB wld be requested to take implementing action, and also to consider other measures which might

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[1] Charles U. Bay, Ambassador to Norway.
[2] Eugenie Anderson, Ambassador to Denmark.
[3] Selden Chapin, Ambassador to the Netherlands.
[4] Robert D. Murphy, Ambassador to Belgium.

be taken "to increase availability of scarce materials to NAT countries and to assure that supplies which become available are devoted to most essential needs". If res as proposed by US were adopted, FEB wld be expected proceed immed with reaching agreement as to specific embargo measures to be taken pursuant to CD declaration of principle, on understanding that if and when alternative measures (e.g., restrictions in non-essential uses) were taken to meet defense shortages, items concerned wld be dropped from DPB list and commitment to deny supplies to Sov bloc wld no longer be applicable. On the other hand, if alternative advocated by countries to which you are accredited were accepted, FEB wld merely be directed to consider necess of denying supplies to Sov bloc along with other possible measures for remedying def shortages. We believe that this wld inevitably mean that embargo action wld become last resort if no other remedial action proved feasible, and that long delays wld be encountered in reaching decisions.

4. Special attn is drawn to exception clause in res and to fol statement which I made in CD mtg of June 14, pointing out eventual right of each country to judge what its "security interests" demand.

"Finally, I shld like make clear that it is not intent of proposed res to commit each member country to deny to Sov bloc items listed by DPB unless and until positive action is taken by FEB to relieve country concerned of this commitment. Purpose of para 5 is merely to estab principle to guide FEB in securing prompt agreement among NAT countries as to specific measures to be taken. Member govts wld be accepting responsibility to justify in FEB, in terms of their "security interests", any departure from gen agreed principle, but if after discussion in that body and full consideration of views advanced by other countries, a member govt persisted in believing that an exception to rule wld best serve its security interests, it wld not be committed by terms of proposed res to act contrary to its best judgment."

5. We have been under pressure here to obtain NATO acceptance of principle of denial of East-West trade in critical items. US view is that with foregoing safeguard there is no legitimate reason for any NAT country failing to proceed with adoption of res in form US has proposed. In brief, we are merely asking NAT countries to terminate exports of scarce materials to the Sov bloc, so long as their "security interests" are not affected, unless and until other effective measures to meet def shortages are developed.

6. Hope foregoing is fully explanatory and that you may be able appropriately to indicate US interest in prompt solution and help support our position here.

Sent Oslo 241; rptd info Copenhagen 254, The Hague 331, Brussels 365, Department Depto 1158, Paris for King and OSR 2774.

SPOFFORD

460.509/6–2251 : Telegram

*The Secretary of State to the Legation in Switzerland* [1]

SECRET
PRIORITY

WASHINGTON, June 22, 1951—7 p. m.

1772. 1) As stated Deptel 1759 June 21 rptd Paris 6970, London 6029,[2] Dept proposes send Del to Switz to hear Swiss positions re E–W trade and determine extent to which they will meet our desires. Expects that Del be headed by Harold Linder, Dept Asst Secy for Econ Aff, who wld probably be present only for initial talks; King for Emb Paris who wld head Del in later talks; Jacques [3] from Paris if needed in tech discussions; Strauss as Rep Dept Commerce; Lyons [4] from EUR Swiss desk; and an approp member Leg Staff. Request King confirm availability.

2) Swiss preference for bilateral rather than tri talks (Legtel 1678 June 16 [5] and statements June 15 by Swiss Leg to Dept) [6] is acquiesced in by Dept. We assume Swiss, knowing from previous approaches and recent discussions that Trilateral approach being considered, will inform Brit and Fr Reps Bern that talks are projected at this time with US alone keeping UK and Fr informed. (Bern pls confirm this as we do not wish to appear to be by-passing UK and Fr.)

3) Plan Del wld be available for initial mtgs July 2 and 3 and that discussions wld fall into two stages: (*a*) initial gen examination of position as revealed by Swiss statement of intentions and by List I export statistics (which per reftel we hope cld be recd in advance of Del's departure and certainly in time for concurrent examination here); and (*b*) resumption of negots week or so later when US in position to comment on Swiss situation. Leg Bern shld inform FonOff substance first three paras immed and follow-up to assure rapid reply.

4) FYI, break between (*a*) and (*b*) will be required in order permit US negots London and Paris with UK and Fr which Linder must also attend on other aspects Excon problem. During interval Strauss and Lyons wld remain Bern and coordinate with Leg in preparations for phase (*b*). Break shld make feasible King's participation Bern talks

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[1] Drafted by Ainsworth and Avery F. Peterson (Officer in Charge of Western European Economic Affairs); and cleared with Camp, Wright, George of Commerce, Moffatt of Defense, and Cox of ECA; repeated for action to Paris and London.

[2] Not printed; it stated that the United States Government was prepared to send a delegation to Bern to examine with the Swiss Government the problems relating to the reduction of its trade in certain goods with Soviet bloc countries and it requested statistics on Swiss exports of certain strategic items to the Soviet bloc. (460.509/6–2151)

[3] Sidney B. Jacques, attaché in the Embassy in France.

[4] Daniel M. Lyons, international economist in the Office of Western European Affairs.

[5] Not printed; it reported Swiss objections to tripartite talks since undesired publicity would inevitably result. (460.509/6–1651)

[6] A memorandum of the conversation under reference is in Department of State file 450.6031/6–1551.

as assume Moore of Emb London cld replace him in any conflicting later phases of Paris negots with UK and Fr or with CG/COCOM. Separate tel being sent Paris London on tri negots.

5) Objective of US negots must be obtain complete as possible *de facto* embargo List I exports backed by some acceptable form of assurance such goods will be denied SovBloc by Switz. Main subsidiary problem presumably will be (*a*) convincing Swiss of our need for official written assurances, even if informal, and our inability accept assurances based on possible effectiveness of voluntary private action and (*b*) substitution for Swiss concept of "normal trade" some other definitive and specific formula acceptable to Swiss which will have effect of *de facto* embargo to SovBloc of List I goods. *De facto* embargo wld of course allow for liquidation of outstanding prior commitments and solution of hardship cases on basis approx same as for COCOM countries. Presume our proposals re formulation of assurances, permissible exceptions, etc, wld be determined between phases (*a*) and (*b*) of negots by careful examination of trade payments and property agreements with SovBloc and of actual control possibilities of Apr 26 Swiss Excon legis and regs effective June 25 as reported Bern's 1686 June 18 rptd Paris 200.[7]

6) Since reasonable ground exists for belief that desiderata para 5 will not be obtained by talk alone, Dept considering possible steps increase pressure induce Swiss action. Subsequent message will outline suggested forms of pressure seeking your comments thereon.

ACHESON

[7] Not printed; it informed the Department of State that the Swiss Department of Public Economy would be authorized on June 25 to designate goods which cannot be exported without special permission as well as goods for which a certificate of Swiss export would be required. (454.006/6–1851)

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460.509/6–1651: Telegram

*The Secretary of State to the Embassy in France* [1]

SECRET WASHINGTON, June 22, 1951—7 p. m.

PRIORITY

7021. Excon. Ref Deptel 6821 June 14 rptd London 5870,[2] and Embtel 7831 June 16.[3]

1. Dept today handed *aide-mémoire* to Brit and Fr Embs along fol lines: USGovt has been reviewing gen Excon policies in light recent and future Cong legis. Discussions being undertaken with all

[1] Drafted by Ainsworth and cleared with Camp, Wright, George of Commerce, Moffatt of Defense, and Cox of ECA; repeated to London and sent by airpouch to Ottawa, Rome, Brussels, The Hague, Copenhagen, Oslo, Frankfurt, Lisbon, Bern, Stockholm, and Vienna.

[2] *Ante*, p. 1109.

[3] *Ante*, p. 1115.

countries receiving US econ aid in order reach agrmt extend and tighten existing controls so far as consistent with broad security interests US and free nations. Dept proposes undertake discussions with CG countries multilaterally in CG, at least initially, but wishes discuss its proposals urgently and in detail with UK and Fr Govts first in order concert views to extent possible. Informal Tri discussions already held re List II problem and Dept wishes continue them formally at proposed mtg, if possible reaching firm Tri agrmt on principles and procedures for handling QC problem as well as disposition individ items. Of greater urgency in US view is need eliminate relatively small remaining disparity between List I and US list of items of primary strategic importance. Latter includes nr of items discussed in London Tri talks last fall but not agreed for embargo either for technical reasons or policy differences. Residual items in IA list being carefully reviewed in USGovt and final list wld be brought by US Del to proposed Tri talks. US expects present this list to CG so that individ PCs may be aware of items this Govt considers primary significance and believes shld be embargoed. Before doing so, Dept wld like review list with UK and Fr Govts with view to Tri recommendation that items be embargoed. USGovt also wishes reach agrmt in CG on more explicit criteria for determining whether exceptions to gen rule of embargo, on grounds hardship or prior commitments, are clearly justified in mutual security interest. Dept wld like discuss its view that hardship exceptions shld only be made after mutual consultation and only when exporting country wld otherwise face certain loss of supplies from SovBloc which are essential support its defense effort and which cannot be obtained from West without undue sacrifice. Re prior commitments, US view is that exceptions for List I goods shld only be made if official commitment of Govt involved and if Govt reports the particular exception is necessary for specific reasons such as those which wld govern in situations of hardship.

Re Tri mtgs, *aide-mémoire* state US wld like begin discussions foregoing three matters and such others as may be suggested at earliest feasible date. Dept prepared send Del London or Paris to commence talks during first week July. USDel wld be headed by Harold Linder, Deputy Asst Secy for Econ Aff. Dept has in mind if Tri discussions cld begin say July 5 it shld be possible complete gen policy phase of talks in time permit presentation gen proposals to mtg of CG which might be convened Paris about July 12 or 13. USDel wld be prepared continue immed with Tri technical talks in Paris in order reach Tri agrmt on disposition List II items.

2. Orally, Dept has informed UK Emb that we wld welcome have Tri policy talks in London. Dept has informed UK Emb that reply to its QC memo of May 16 will be given next week. We will probably give Fr a copy.

3. For Tri talks Dept wishes USDel include Moore from Emb London as Linder's deputy, King from Paris, and Jacques if not essential he remain Paris. Ainsworth will accompany Linder from Dept. Col Moffatt will represent Def Dept. Expect George represent Com, and Hutchinson be available for tech talks. Expect ECA also be represented.

4. Separate tel sent today[4] re Excon negots with Swiss, in which Dept wishes have Linder (initially) and King participate. Since second phase of Swiss talks may overlap second phase of Tri talks, and Linder may not participate in either, Dept believes it most impt have Moore available to carry on with Tri when King in Bern.

5. Dept hopes have replies from UK and Fr middle next week. In view necessity avoid further delays, request Embs London and Paris do whatever possible to follow this up and gain acceptance time sched we have suggested. In that connection, appears urgent settle Tri aspect of Swiss talks promptly. Dept unaware present status.

6. Welcome comments on any of foregoing.

ACHESON

[4] *Supra.*

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460.509/6–2551 : Telegram

*The Ambassador in France (Bruce) to the Secretary of State*

SECRET
PRIORITY

PARIS, June 25, 1951—7 p. m.

8075. Excon. Re Deptel 7021 June 22.[1]

1. As US del understands reftel, US intends submit to CG proposals on fol three matters directed at extending and tightening existing controls:

(*a*) Reviewing list II procedures and items,
(*b*) Placing final residual 1–A items on list one, and
(*c*) Establishing tighter principles and procedures or hardship and prior-commitment exceptions from embargo. (Since list two includes some items now on residual 1–A list, some overlap between (*a*) and (*b*) results.)

2. US del further understands US intends tri pre-consultation with view obtaining such UK and French support as possible, but apparently without intent submit original proposals to CG even if full UK-French support not obtained.

3. If above understandings correct, US del not clear on function of tri tech talks or where their outcome wld be presented—i.e., to some higher tri group for attempted adjustment of differences as in Oct talks or direct to CG/COCOM, without adjusting differences.

[1] *Supra.*

4. Also not clear whether presentation to CG contemplates negotiation (then or later).

5. Unable completely evaluate contemplated schedule due lack details of proposals and intended extent tri discussion. However, feel timetable over-optimistic on starting date (in relation to transporting and briefing US reps who will attend preceding Swiss talks) and on intended CG mtg date. Both tri and CG reps may be expected to want time for studying US proposals and obtaining govt reactions and to require more time for this purpose if proposals (and translations) not made available before respective mtgs. Even under most favorable circumstances, we wonder whether tri discussions cld be completed in time for CG mtg 7 or 8 days later, particularly if tri documentation is to be developed, transmitted, reproduced, and distributed. Also wonder whether such early CG mtg can be expected produce anything more than noting US proposals, receiving some generalized and tentative observations, and setting some future date for further CG or COCOM discussion.

6. In any event, question arises when US desire for CG mtg shld be announced (presumably at COCOM). On one hand, general practice is two week's advance notice. On other hand, setting too early date risks necessity eventual postponement with attendant complications experienced in connection Oct tri talks. Pendency standard European summer vacation period and COCOM dels pressure for recess mid-July suggest desirability early announcement with selection of date which can be met. Wld appreciate Dept's advice on this.

7. Re para two reftel, agreeable to mtgs either in London or in Paris. Believe London site more advantageous for any tri tech discussions and for concealing existence tri discussions from COCOM if necessary. Favor giving French copy of US [apparent garble] memo. Re para 3 reftel, King and Jacques will be available. Assume expected ECA rep will be Dupre as in past. Also assume Dept will arrange for necessary secretarial help.

Sent Department 8075; repeated information London 2171.

BRUCE

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740.5/6–2551 : Telegram

*The United States Deputy Representative on the North Atlantic Council (Spofford) to the Secretary of State*

SECRET

LONDON, June 25, 1951—9 p. m.

Depto 1176. Excon.

*Part I.*

1. Part II of this msg gives text of resolution re denying supplies of scarce materials to Soviet bloc, which was approved by CD today

subject to reservation by Danish deputy who still uninstructed. Norwegian, Netherlands, Belgian and Luxembourg deputies expressed great preference for less conclusive language in para five but announced willingness go along with majority. Danish deputy agreed recommend acceptance to his govt.

2. Italian deputy suggested amendment resolution to provide for use by FEB of COCOM representatives from NAT countries, but was satisfied leave this to be recorded in minutes of resolution intention.

3. Re association FedRep with this action, UK proposed that occupying powers instruct their representatives on HICOM to approach FedRep to this end. French deputy commented that this presented no problem since Occupation Statute wld enable occupying powers to make such representations to FedRep effective. US and UK deputies expressed reservation as to whether such procedure desirable and French deputy expressed willingness accept general language proposed by UK, leaving precise procedure to be worked out among occupying powers. This understanding, together with statement that parallel action by FedRep definitely desirable, will be incorporated in minutes of mtg. Text will be sent when available. Belgian deputy raised question of reporting to CD as to arrangements made with FedRep and it was agreed occupying powers should render such report either to CD or FEB.

*Part II—Verbatim Text.*

*Noting:*

1. That DPB submitted April 10 an initial list critically short items and materials urgently required by NAT countries to carry out their rearmament and stockpile programs as well as additional list of June 6, and

2. That DPB is of opinion that these items and materials must be conserved to utmost by NAT countries.

*Considering:*

3. That it is urgently necessary take all feasible steps to increase supplies of, and to conserve for NAT defense purposes, those items already listed by DPB and any further items which may be found by DPB to be in critical short supply for defense production in NAT countries.

*Request:*

4. FEB, in consultation as necessary with other appropriate international agencies, especially OEEC and IMC, to review over-all position in these materials, including essential civilian requirements in NAT countries and to assure that supplies which become available are devoted to most essential needs.

*Conclude:*

5. That, so long as items continue to be listed by DPB as being sent in short supply for NAT defense purposes, their supply to Soviet Union or areas under its domination or control shld be denied except to extent indicated by over-riding considerations arising out of security interest of exporting country concerned, term "security interests" being understood to include necessity to secure imports which must be obtained from Soviet bloc to sustain basic economic strength NAT countries.

*Request:*

6. FEB, in consultation as necessary with other appropriate international agencies, to examine this matter with view to securing prompt agreement among NAT countries as to specific measures to be taken under para 5 above.

7. DPB to communicate any further lists of items in which it anticipates shortages (or any deletions from earlier lists) to FEB for its consideration and action along lines paras 4 and 6 above, specifying insofar as possible exact nature of items concerned and countries wherein shortages are likely arise.

8. DPB and FEB to collaborate closely on foregoing matters and keep CD currently informed as to action taken pursuant to above requests.

Sent Dept Depto 1176, rptd info Paris for Embassy (King) and OSR 2807 Frankfort 1400.

SPOFFORD

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460.509/6-3051 : Telegram

*The Secretary of State to the Embassy in the United Kingdom* [1]

SECRET

WASHINGTON, June 30, 1951—9 p. m.

6286. Excon. Fol gen indication of our intended approach to List II problem may be given informally to Brit and Fr as of possible assistance in preparations for Tri mtgs if Linder and King concur. Linder shld inform London and Paris direct, repeating to Dept.

Brit will note that we have modified original proposal discussed informally with Berthoud in Apr to take into acct comments contained Brit memo transmitted to Dept in Emb's Desp 5555 May 17.[2]

A. We shld hope to get Tri and subsequent COCOM agrmt to fol principles:

(1) Exports to Bloc of items on List II shld be limited with full regard to strategic importance of item and to objective of preventing

[1] Drafted by Camp and cleared with Leddy, George of Commerce, Cox of ECA, and Moffatt of Defense; repeated to Paris and Bern for Linder.

[2] Not printed, but see footnote 3, p. 1111.

any increase in Soviet war potential. (This reaffirmation already agreed COCOM principle.)

(2) As gen rule List II items shld be exported only in quantities required to ensure continuation of essential imports.

B. We recognize that items on List II are of widely differing character and are of varying strategic importance; that econ and polit situation of COCOM countries vis-à-vis Bloc also of differing character; and that two principles stated in para A above, if considered separately, wld lead to somewhat different method of treatment, ie, first principle to adoption of over-all quantitative limits, second principle to over-all *quid pro quo* approach as first suggested by US.

C. To meet these difficulties US suggests fol procedure:

(1) To upgrade to IL I, for embargo, any items on List II which on basis info now available meets specific embargo criteria. (In this connection US will propose for embargo those items now on IL II which are also on US IA list.)

(2) To downgrade to List III, for continued exchange of info and prevention of excessive shipments, items on List II which on basis of new info do not meet List II criteria.

(3) To treat residual List II items in fol manner:

(*a*) To set specific quantitative limits where on basis of statistical or intelligence info it is possible to do so. In the fol types of cases, although item does not meet the strategic test for List I, we believe it shld be *de facto* embargoed by retaining it on List II but with zero quota: (1) If exports in past have been so excessive that any future exports of item cld reasonably be expected to contribute directly to an increase in Soviet war potential; or (2) if clear that item shld be very severely restricted but impossible because of nature of item to deal with quantitatively; or (3) as prudent measure in cases where further info required to reconcile differing views as to whether item meets criteria for complete embargo.

(*b*) Where available intelligence or other info does not permit reasonably accurate and defensible judgment as to quantitative limits items shld be controlled according to fol principles: (1) Exports shld be permitted only to extent required in order to obtain imports essential to sustain basic economy and shld not be permitted for purpose of maintaining or developing export markets in Bloc or for similar purposes; (2) Additionally, exports these items shld be licensed only pursuant to officially approved trade agrmts or barter arrangements and then only where it is clear goods of lower strategic rating can not be substituted.

(4) Although procedures to carry out principles in para 3 wld be left to each country to determine, COCOM wld be kept currently informed of procedures being followed and quantities shipped.

ACHESON

460.509/7-351 : Telegram

*The Minister in Switzerland (Patterson) to the Secretary of State*

SECRET

BERN, July 3, 1951—noon.

9. Excon. From Linder.[1] After presentation, which included elaboration their traditional neutrality position and emphatic expression their desire not to benefit from existing situation in which other countries denying list I exports to bloc, Swiss stated their total trade these items approximates $5 million. They submitted analysis by items of average annual shipments 1947–48 and 1949–50 and stated they considered latter period "normal" for establishing quotas for licensing new orders. In addition, they proposed fulfilling existing contracts, many of which will require delivery in 1952–53, over and above new orders to extent of quotas.

Linder replied with usual amenities, expressing appreciation their new legis and transit control but emphasizing US public and congressional mood. He pointed out that dollar amts while small if added to some $15 million of list II items and to shipments by other countries in latter category wld constitute substantial addition to clockwar [*bloc war*] potential.

Examination of their statistical material during mtg disclosed that it included only the tri list of 102 items and did not include data with respect to any items in original list I. Subsequent further analysis indicates their proposal implies annual shipments of 24 items (remaining 78 to have no quota) to value of $5 million in new orders plus fulfillment of existing commitments which in 1951 amount to about $6 million. Exports these items in 1951 might thus be nearly twice 1949–50 "normal" level. "Normal" period in turn compares with about 3 million average export level 1947–48. Quotas for new orders include about $125,000 total in three AEC items as well as $1 million of four list I items not produced in Switzerland, e.g., nickel and diamonds.

We shall inform Swiss that no agrmt possible until similar statistics on balance of fiscal 51 exports made available and that their concept of "normal" trade is wholly unacceptable.

Since desire not discourage them from providing additional data which they indicated will take weeks and be onerous task, we are disinclined to indicate more specifically our final position. However, if necessary, will state we wish embargo on all IL I items recognizing some adjustments for prior commitments may be required.

Sent Dept 9, rptd info Paris 5, London 5, Stockholm 2. [Linder.]

PATTERSON

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[1] For information concerning Linder's plans for his visit to Bern for meetings with Swiss officials on July 3 and 4, see telegram 1772 to Bern, June 22, p. 1128.

460.509/7–451 : Telegram

*The Minister in Switzerland (Patterson) to the Secretary of State*

SECRET BERN, July 4, 1951—11 a. m.

19. Excon. From Linder. Ref Legtel sent Dept 9, rptd Paris 5, London 5, Stockholm 2, July 3.[1] Mtg with Swiss yesterday commenced with lengthy exposition of reasons partial statistics presented by Swiss, who continued insist that tripartite reps in Jan had presented them only with tripartite additions to list, that they were given to understand tripartite list was inclusive of earlier list I, and that in any case they had never been officially given original list I. (We pointed out Fr had given them list I on behalf COCOM in summer or fall of 1950, and we understood tripartite reps Bern had also given them both lists.) Also stated that if Swiss had studied list I carefully and had compared tripartite list with definitions on which we requested assurances in Apr 13 memo, misunderstanding wld not have occurred. (Whole episode may be a genuine misunderstanding, since Swiss contacted about 900 firms in order compile statistics and wld have been easier do entire list at once, but "mistake" indicates lack of curiosity and thoroughness which inconsistent with Swiss character. Furthermore, they recd consolidated version list I from Leg about two weeks ago and certainly at that time shld have indicated that without further research they were unable to meet with US.)

Swiss endeavored persuade us that balance of list I probably inconsequential and urged conclusion of arrangement on a practical basis. We explained we cld not buy a horse when possible examine only its north end.

Linder made clear that we cld not accept their "normal trade" concept, as set forth, as basis for further discussions. Criticized proposal as implying 1951 exports double 1949–50 level and four times 1947–48, so that eventual "reduction" wld be only to present abnormally high level.

Told Swiss we very disturbed hear this in view assurance previously given to Vincent list I (and list II) exports have not been increasing and wld be reduced. Expressed strong objection to including quotas for AEC items and goods which Swiss import and wld re-export. Stated in conclusion that difficult understand Swiss proposal in view dependence upon western supplies in order deliver exports to east, and relatively small dependence upon east for essential supplies.

In subsequent discussions, Swiss argued that their exports of items on tripartite list were not really important, that existing commitments represent counterpart of earlier imports, that imports certificate system wld prevent re-exports, that neutrality requires "normal trade", etc. Linder stated our objective was "no quota", to which Swiss re-

[1] *Supra.*

plied that embargo was "impossible" in view their special position. We referred strongly to our special position in view war situation, casualties, etc.

Linder stated that appeared clear no agrmt cld be reached on basis philosophy and that we cld not pursue "practical" approach until complete statistics available. In response to inquiry by Homberger as to what will be done about Swiss export licenses from US, Linder replied that we cld not possibly recommend to US Govt that these exports be licensed under existing circumstances. Mtg adjourned to enable Swiss think matter over. Later in day Swiss suggested another mtg this morning.

Entire del including Leg reps convinced Swiss were shaken by firmness our position. We incline believe, therefore, that some practical solution possible.

We have informed UK Leg here, at their request, concerning misunderstanding re lists, details of Swiss proposals and gen tenor our reply, indicating that our final position has not been given to Swiss and that we expect discuss matter with UK and French in London. Fr Leg here will be given same info as UK.

Linder, King and Ainsworth leaving for London after mtg today.

Sent Dept 19, repeated info Paris 6, London 7, Stockholm 3. [Linder.]

PATTERSON

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460.509/7–451 : Telegram

*The Minister in Switzerland (Patterson) to the Secretary of State*

SECRET
PRIORITY

BERN, July 4, 1951—5 p. m.

21. At Wednesday mtg Hotz[1] stated that further review of items on original IL I led Swiss to conclude that such exports wld not exceed 15 percent of combined IL I plus tri list exports. Bulk of IL I items wld be in machine tool category. Suggested not necessary make industry inquiry. Proposed extend same quota principle to IL I which was proposed on tri items, and in addition, put all machine tool exports regardless of list on a 1949/50 quota basis. Basically, Hotz failed suggest any concessions and insisted on previous rationale. He pointed out that if US insisted on detailed inquiry they wld make it but only if we accepted quota concept based on 1949–50 as normal.

Linder replied US unable accept 1949–50 base and reiterated US insistence for full information before proceeding. He said we wld be glad seek practical solution to problem; but that we cld not operate under principles different from those applied to other friendly coun-

[1] Jean Hotz, Director of the Trade Section of the Swiss Department of Public Economy.

tries. In principle US opposed all IL I shipments, but some exceptions might be made for prior commitments and hardships. Although ultimately problem must be settled as whole, US must insist on item by item analysis as basis or solution along practical lines. Therefore we need all facts and cannot be satisfied with statement of gen magnitude. We wld insist full embargo on AEC items and imported materials.

King explained COCOM procedures on hardship and prior commitment in reply to Swiss false notion re handling of these issues by COCOM countries. Schaffner asked US release licenses for items not mfgd in Switz as basis prove Swiss people that good results possible from talks. Linder said not possible and Strauss added that licenses being held now because not clear items not made in Switz and guarantees given to date not sufficient. This one more reason for requiring full info on all IL I items. Hotz finally proposed that Swiss wld agree get statistics quickly as possible if US wld permit some members deleg remain and work on items on which statistics had been already submitted. Linder agreed this proposal urging greatest haste.

Lyons and Strauss remaining Bern for technical discussions determine basis Swiss statistics, nature prior commitments, study items which might be eliminated without high-level discussions. Clearly understood however that Linder will return only after technical details cleared up.

Rptd info London 12, Paris 9, Stockholm 5.

PATTERSON

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400.009/7–551

*The Assistant Secretary of State for Economic Affairs (Thorp) to the Assistant Executive Secretary of the National Security Council (Farley)*[1]

CONFIDENTIAL WASHINGTON, July 5, 1951.

MY DEAR MR. FARLEY: The Department of State has certain responsibilities in the administration of Section 1302 of Public Law 45. These responsibilities are concerned primarily with the problem of discussion and negotiation with those foreign countries now receiving economic and financial assistance from the United States. I should like to report to you on the substance of these discussions which have been held up to the present date indicating what the Department has done, what the initial negotiations with foreign governments have been and what problems seem to be most pressing on the basis of the experience so far.

The bill containing the Kem Amendment was signed by the President on June 2. The signature was accompanied by a message setting forth objections to the Amendment and stating that its sweeping pro-

[1] Drafted by Wright.

visions will require the National Security Council to make broad use of the exception provided.

The list of items which other countries would be required to embargo under the Kem Amendment as a condition of aid was certified by the Secretary of Defense to the Administrator of the Economic Cooperation Administration on June 5. In his letter Secretary Marshall pointed out that in view of the urgency of the time schedule imposed by the Amendment, he incorporated by reference the contents of several lists which previously had been promulgated for other purposes by the Government. He also pointed out that the commodities enumerated on the list varied in their strategic importance to the trade of the Soviet Bloc and that only a portion of the items have been regarded by this Government as of primary strategic importance.

During the week of June 11 the Department of State called in the representatives of all countries receiving aid, except Ethiopia, Iran and Syria, and asked them whether their governments could meet the requirements of the Kem Amendment before the deadline of June 18 provided in the bill. The foreign representatives were provided with a copy of the Kem Amendment, the President's message and a press release issued by the Economic Cooperation Administration describing in general terms the scope of the embargo list certified by the Secretary of Defense. Copies of the list were transmitted subsequently as soon as they were available.

The representatives of a number of the smaller countries indicated tentatively that their governments might be able to meet the certification requirements of the Kem Amendment. These countries included Spain, Portugal, Yugoslavia, Iceland, Ireland, Formosa, South Korea, Thailand, the Philippines, Israel, Liberia, Costa Rica, Haiti, Honduras, the Dominican Republic and Nicaragua. The representatives of other countries stated either that their governments probably would not be able to certify or that no reply could be given until the list had been received and the matter had been given full consideration by the appropriate governmental authorities.

On June 14 the National Security Council approved a general interim exception under the Kem Amendment which temporarily excepted all countries from the provisions of the Amendment pending examination of the situation of each country. This interim exception was necessitated because of the impossibility of obtaining certification within the time schedule specified by the Amendment. The alternative of suspending aid would seriously have endangered the national interest. It was not intended in any sense as a suspension of the Amendment. Individual country studies were commenced immediately. Special individual country exceptions for Norway and Austria were made by the National Security Council at the same time. These exceptions were transmitted to the six committees of the Congress referred

to in the Kem Amendment and were published by the White House on June 15.

Work has been initiated on evaluating the trade of additional countries for the purpose of determining whether it is in the security interest of the United States that assistance be continued and that the interim exception be replaced by a specific country exception. A number of these country evaluations are being prepared for early consideration by the National Security Council. It is intended that the trade of all 60-odd countries receiving assistance would be reviewed within 90 days. This will require a schedule of three or four studies a week. It is planned that the evaluation of Western European countries will be made following negotiations planned for July.

It appears to us that the program for future action under the Kem Amendment will require some expansion of negotiation with other Governments. Tentatively, the general plan for such discussions appears to us as follows:

(1) *Western Europe.* There is already very close similarity between the lists of primary strategic items whose export to the Soviet Bloc is prevented by countries of Western Europe and the list which is observed by the United States. An effort will be made to bring into virtually complete conformity the Western European lists and the United States lists with respect to items of primary strategic importance. There will also be an effort to establish tighter quantitative controls over items of secondary strategic significance. Although it is clear that the Western European countries generally embargo the shipment of arms, ammunition and implements of war to the Soviet Bloc, it will be necessary to clarify the status of their control in view of slight variations in the coverage of the Munitions List in effect in various countries.

These negotiations will be undertaken on the most urgent basis early in July, and Mr. Harold F. Linder, Deputy Assistant Secretary of State for Economic Affairs, has gone to Paris to supervise the discussions.

(2) *Latin America.* Early in June instructions were sent to our missions in the other American republics to request the other governments concerned to adopt security export controls parallel to our own. This action was taken pursuant to a resolution on economic defense adopted at the recent consultations of American Ministers held in Washington. The institution of extensive export control systems in the other American republics may take some time. Therefore, we plan to move promptly to request the other American republics to institute additional selective embargoes (certain items are already under control) on items of high strategic importance which are of significance in their trade with the Soviet Bloc. If this can be accomplished, the security significance of remaining Latin American trade with the Soviet Bloc will be negligible.

(3) *Near East and Far East.* The countries in these areas represent a variety of situations, which are particularly difficult with respect to the so-called neutral areas. In certain cases it will be possible to obtain quite complete cooperation. In other cases it will be extremely difficult

549-782—79——73

to do so. Discussions with these countries will probably have to be undertaken primarily on an individual bilateral basis.

We will continue to keep you informed as to the progress of further discussions under Section 1302.

Sincerely yours, WILLARD L. THORP

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460.509/7-651 : Telegram

*The Ambassador in the United Kingdom (Gifford) to the Secretary of State*

SECRET LONDON, July 6, 1951—1 p. m.

94. Excon. From Linder.[1]

1. On basis lunch conversation with Berthoud [2] before first mtg and in view King's judgment Paris situation, our present estimate optimum possible time schedule follows:

(*a*) Attainable area Tripartite agreement probably known next week and may be possible have cleared with respective govts by July 16;

(*b*) Initial CG mtg Paris unlikely before middle or latter part week July 16 owing time needed translation and documentation;

(*c*) Recess after CG mtg for ref issues to respective govts may take two weeks, so that early August our optimum estimate for reopening CG mtg for discussion substance of proposals. Unable determine at this time whether discussion of individual IA items in COCOM may be necessary.

2. Berthoud at lunch appeared relatively uninformed re our legislative situation and expressed great interest have more details. He assured Linder that UK and France wld give full support in CG to any informal mutual agreement reached here but, of course, cld not say how great area of agreement wld be and felt US shld make proposals to CG. Emb and USDel believe in existing atmosphere this preferable to joint tripartite presentation. We will continue press for firm tripartite agreement on all aspects.

3. At opening mtg yesterday, Linder set forth general US views and objectives in statement substantially same as supplied by Dept.

4. Pls inform Bissell [3] that copy his letter [4] outlining Golding's instructions promised Linder not yet recd here.

5. Pls keep Linder promptly informed any new legislative developments.

Sent Dept 94, rptd info Paris 29. [Linder.]

GIFFORD

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[1] According to plans outlined in telegram 7021 to Paris, June 22, p. 1129, Linder left Bern on July 4 and arrived in London that same day where he remained until July 18.

[2] Eric A. Berthoud, Assistant Under Secretary of State in the British Foreign Office.

[3] Richard M. Bissell, Jr., Deputy Administrator for Economic Cooperation.

[4] Not found in Department of State files.

460.509/7–751 : Telegram

*The Ambassador in the United Kingdom (Gifford) to the Secretary of State*

LONDON, July 7, 1951—8 p.m.

135. Excon from Linder.

1. Second plenary tripartite session yesterday devoted largely to discussion question of collective proposal to CG versus unilateral US approach. Agreed to defer decision, which has since been discussed by heads of dels. Since decision may be to have USDel present US proposals to CG, with UK and Fr support to extent of their agreement, we are preparing way for possible early delivery to other PC's of IA list (through COCOM) and of brief statement our objectives (through our missions in PC's), subject Dept concurrence. Matter covered in separate telegram.[1]

2. Present situation as result discussion among heads of dels summarized in Berthoud memo today as fols:

. . . . . .

We expect further mtg heads of dels Mon evening may result final decision this matter. In USDel view, more rapid action likely be obtained from PC's if we do not wait for final determination tripartite area of agreement, and US unilateral proposal (supported by UK and Fr) may incur less resentment from PC's than if presented with another tripartite *fait accompli*. On other hand, tripartite approach wld be very effective especially if tripartite agreement reached to embargo all or almost all IA items.

3. Timetable here has been agreed substantially as reported Embtel 94, July 6, rptd Paris 29.[2] Dels have agreed set CG mtg date July 19, but if collective tripartite proposal is decided upon this date may be put off to fol week to allow time for study tripartite proposals before CG mtg.

4. Working groups established for (*a*) discussion IA items and (*b*) discussion list II and exceptions proposals. On IA problem, UK expects complete own review middle next week and then discuss items with us. Fr reviewing items in Paris. Separate telegram on QC discussions.[3] Fr have expressed keen interest in exceptions problem, apparently owing largely their desire avoid revealing info to competitors when discussing current TA negotiations (altho wld be willing discuss with US alone), and subject will come up Mon.

Sent Dept 135, rptd info Paris 46. [Linder.]

GIFFORD

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[1] *Infra.*
[2] *Supra.*
[3] The telegram under reference is telegram 139 from London, July 8, not printed. (460.509/7–851)

460.509/7–751 : Telegram

*The Ambassador in the United Kingdom (Gifford) to the Secretary of State*

SECRET
PRIORITY

LONDON, July 7, 1951—8 p. m.

136. Excon from Linder.

1. In order to speed up CG consideration of US proposals delegation has been considering advisability of informing CG countries other than Brit and French of general nature of US proposals along lines of *aide-mémoire* given to Brit and French (ref Deptel 6071 June 22 rptd above missions)[1] as soon as possible without waiting for termination of Tri talks. Our idea is to make high-level approach in each capital supplemented by approach by US COCOM delegation to other COCOM delegations in Paris. US COCOM del has been sent sufficient copies of US I–A list to enable them to give copies to other delegations. We believe this approach should result in reduction of time required for countries to formulate positions following presentation of US proposals to CG and enable missions to emphasize at high level importance US attaches to these proposals.

2. Linder discussed possibility such approach by US informally with heads of UK and French delegations today. Their reaction was generally favorable. It was recognized that unilateral US approach to other CG members would rule out complete Tri approach to CG but would still make possible US presentation to CG which wld be immediately and strongly supported by Brit and French to extent agreement is reached in London talks. Also this method wld avoid "fait accompli" disadvantage of full Tri approach. Brit and French still considering possibility of complete Tri approach and we agreed to wait until Monday night for dinner meeting heads Brit and French delegations where joint decision as to most effective approach will be made.

3. Suggest Dept immediately authorize missions to proceed with approach at highest appropriate level subject to final word from London that Brit and French have approved. Approach should follow lines of first para reftel leaving out references to Tri discussions and adding that list I proposals will be made available thru COCOM secretariat in Paris. If asked about Tri discussions, suggest missions take line that US engaging in informal discussions with Brit and French with view to clarifying views.

Dept pass Ottawa, sent Dept 136, rptd info Paris 47, Ottawa 2, Rome 9, Brussels 8, The Hague 7, Copenhagen 8, Oslo 8, Frankfort 20, Lisbon 4, Bern 4, Stockholm 2. [Linder.]

GIFFORD

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[1] Same as telegram 7021 to Paris, June 22, p. 1129.

460.509/7–951 : Telegram

*The Secretary of State to the Embassy in the United Kingdom* [1]

SECRET WASHINGTON, July 9, 1951—4 p. m.

PRIORITY NIACT

154. Excon. For Linder.

1. If on basis negotiating situation London you continue believe desirable authorize missions approach other Govts before conclusion Tri policy talks Dept will concur and send instructions accordingly. However, we wld appreciate your reviewing recommendations in Embtel 136, July 7 [2] in light of fol.

2. On basis past experience we believe that UK position crucial and that unlikely other COCOM countries will embargo any item in which they have any trade unless UK takes lead. We therefore believe principal objective Tri talks is to obtain as large a measure UK support as possible and that if US now in effect makes unilateral approach Brit may not be so firmly behind US at time of presentation proposals to CG. We continue believe US position shld be one of urging that possibility Tri presentation to CG be kept open until extent of agreement clear.

3. We had assumed that once extent of UK–Fr agreement with US proposals was clear US wld examine extent agreement to see whether or not Tri coverage adequate or whether it was still essential to supplement Tri proposals with unilateral US proposals. Suggestion in Embtel 136 wld in effect commit us to supplementary unilateral approach even if UK and Fr had agreed to a satis package.

4. We had attached considerable importance not only to Linder's presentation specific proposals to CG but also this opportunity to give CG better understanding US legis situation. We question whether missions on basis of Deptel 6071 [3] or any tel can make our case as effectively and also feel that series of unilateral approaches tends to detract from US assertion that it wishes to continue handle export control questions on a multilateral basis in a multilateral forum.[4]

ACHESON

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[1] Drafted by Camp and cleared with Leddy, Peterson, and Thomas Beale, Acting Officer in Charge of Economic Affairs, Office of British Commonwealth and Northern European Affairs.

[2] *Supra.*

[3] Same as telegram 7021 to Paris, June 22, p. 1129.

[4] Paragraph 5 of the original draft, which was omitted before the transmission of the source text, reads as follows: "If on reconsideration you nevertheless believe time factor and negotiating situation such that US 1–A list and gen info QC and exception proposals should be given other countries prior to CG mtg, it might be better for Dept to handle given fact that other countries will undoubtedly raise questions such as effect of cease-fire on Kem Amendment and gen relationship between US approach and COCOM negotiations. It is clearly desirable that uniform answers be given to these and other questions which may be difficult anticipate."

On July 10 the Department of State sent circular telegram 36 to all COCOM capitals advising diplomatic officers in the various embassies to inform the Foreign Ministries in their countries of the nature of the proposals which the U.S. Delegation would make to CG as outlined in telegram 7021 to Paris, June 22 (*ibid.*). (460.509/7–1051)

460.509/7-1151 :Telegram

*The Ambassador in the United Kingdom (Gifford) to the Secretary of State*

SECRET PRIORITY LONDON, July 11, 1951—5 p. m.

217. Verbatim text. Excon. From Linder. Ref Embtel 139, July 8, rptd Paris 50 [1] and Deptel 6286 June 30, rptd Paris 7218.[2]

Fol is Tri drafting group text of "directive for the disposal and treatment of items on Intl List II" which we expect will be approved later today by Tri working group and eventually by heads of dels for submission to govts. USDel comments in separate tel.[3]

*Begin Text.*

A. General principles.

1. Exports to Sov bloc of items on List II shld be limited with full regard to strategic importance of item and to objective of preventing any increase in Sov war potential, it being understood that strategic character these items is directly related to quantities which may be exported to Sov bloc. (This reaffirms principles already agreed in COCOM.)

2. Exports of List II goods shld not exceed the minimum quantities which exporting country finds to be required in order to ensure continued importation from Sov bloc of goods which are essential to its basic economy.

B. Procedure.

1. Any items on List II which on basis of latest info available meet agreed embargo criteria (Annex 1)[1] will be placed on List II.

2. Any items on List II which on basis of latest info available do not meet criteria agreed for List II (Annex 1) will be placed on List III for continued exchange of info and prevention of excessive shipments.

3. Items remaining on List II thereafter, or subsequently placed on List II, will be treated as fols:

(*a*) Quantitative limits will be set for individual items wherever available info permits a reasonably accurate and defensible judgment from security viewpoint. These limits will be apportioned among PC's in relation to their exports to Sov bloc in the postwar period.

(*b*) In accordance with existing practice, where it is agreed that the item may be comparable in strategic importance to items already on List I, no exports will be permitted until strategic rating of item may be clarified.

(*c*) Where it is agreed that recent exports have been above the estimated critical level to such an extent that any further exports in near future can reasonably be expected to contribute directly to an

[1] Not printed.
[2] *Ante*, p. 1134.
[3] Presumably a reference to telegram 318 from London, July 16, p. 1148.

increase in war potential of Sov bloc, no exports will be permitted until new decision has been made.

(*d*) Where latest available info does not permit agreement on reasonably accurate and defensible quantitative limits from a security viewpoint, the items will be controlled with full regard to their strategic importance, as revealed by discussion in COCOM, and in keeping with principle that exports will be permitted only to extent required in order obtain imports from Sov bloc which are essential to sustain basic economy and promote defense effort. Exports of these items will not be permitted for purpose of maintaining or developing export markets in Sov bloc or for similar purposes. Where trade agrmts exist governing exchange of goods between particular countries, exports of these items will not be permitted outside framework of trade agrmts, except in case of officially-approved barter or compensation arrangements.

4. Quantitative limits may be revised or reapportioned among PC's by agreement in COCOM.

5. Exports by any country in excess of limits agreed shall only be permitted in accordance with principles governing exceptions to security controls as set out in COCOM document number (blank).

6. Each govt will submit to COCOM, in addition to monthly statistics on all List II exports in accordance with existing arrangements, a semi-annual statement setting forth export policies which it is following with respect to individual List II items in its trade with individual countries of Sov bloc. Any major changes in export policies will be reported without delay.

*End Text.*

Annex 1 will contain criteria for Lists I and II as already agreed in COCOM. COCOM doc referred to in para 5 will be Tri proposal on exceptions, reported in separate tel.[4]

Sent Department 217, repeated information Paris 72. [Linder.]

GIFFORD

[4] *Infra.*

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460.509/7–1151 : Telegram

*The Ambassador in the United Kingdom (Gifford) to the Secretary of State*

SECRET

PRIORITY

LONDON, July 11, 1951—7 p. m.

231. Verbatim text. Excon. From Linder. Fol is text of proposal on "exceptions to security controls" which we expect will be approved substantially as fols by Tri working party. Comments in later tel.[1]

[1] Presumably a reference to telegram 318 from London, July 16, *infra.*

*Begin Text.*

General Principles.

1. Subj to the special considerations involved in prior commitments, exceptions to gen rule of embargo in respect of list I items and to agreed quantities limits in respect of list II items will be made only when an exporting country wld otherwise face loss of supplies from Sov bloc which are essential to support its basic economy and thereby sustain its def effort.

Future Commitments.

2. Govts will, so far as possible, keep COCOM currently informed of any trade negots or proposed transactions which may result in such exceptions being made and will take into account comments made in comite. Govts will report to comite what agreement or decision is reached. The comite's views on any exceptions which are made may be forwarded to the govt concerned which may be asked to take account of them in any future negots in which the same items are discussed.

Prior Commitments.

3. Prior commitments, i.e., contractual or other obligations entered into prior to date of introduction of control of item concerned, will only be made if an official commitment of a participating govt is involved, or if, in absence of an official commitment, that govt decides, having due regard to strategic importance of the goods and to probable consequences of not allowing the commitment to be honored, that the export shld not be prevented. In all such cases the appropriate monthly statistical returns to COCOM will indicate the considerations governing decision reached.

Sent Dept 231 rptd info Paris 73. [Linder.]

GIFFORD

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460.509/7–1651 : Telegram

*The Ambassador in the United Kingdom (Gifford) to the Secretary of State*

SECRET PRIORITY LONDON, July 16, 1951—7 p. m.

318. Excon from Linder. In plenary session today tri dels approved WG reports on list II directive and exceptions to security controls, as well as report on 1A list which recommended inclusion 3 items on list I, with reservation by UK on all three matters pending Min's approval which is expected before Wed night. Agrmt reached on manner of presentation to CG as reported below.

Despite Makins'[1] promise of final UK decision by Cab before CG

[1] Sir Roger Makins, British Deputy Under Secretary of State for Foreign Affairs.

mtg on all 1A items,[2] Berthoud announced this morning that UK position cld not be finally determined without greater study so that no final UK position on remaining 20 items cld be given until second CG mtg approx two weeks hence. Berthoud appeared concerned that effort to rush final decision through Mins before Thurs wld result in freezing of present UK position on all unagreed items. In further extenuation their position Berthoud pointed out UK reservations on some items pending further study wld have advantage avoiding *fait accompli* charge by other PC's.

On nature of approach to CG, agreed Linder will make opening statement referring primarily to additional embargo items but indicating US interest in QC and exceptions questions and showing how all three matters constitute package in relations US leg sitn. US statement wld not comment in detail on QC and exceptions matters. UK del wld make presentation list II proposal, giving more detailed explanations and submitting text of proposal at time of his statement. This is subj Min's approval expected Wed. Fr del wld similarly present exceptions proposal. Neither proposal wld be circulated through COCOM in advance CG mtg. With respect to 33 agreed items, UK and Fr dels at proper time wld indicate that during brief time thus far available to review full US list, they had been able agree include these items list I and that review continuing on remaining items. UK del wld make available list of agreed items only, showing definition change, etc., during CG mtg. US del believes this method presentation, indicating UK and Fr support for agreed items, will help prevent reservations by other PC's on those items. In our view other PC's likely learn extent of UK and Fr reservations in any event, so no purpose served by pretending whole list still under review.

Tri dels will meet Wed evenings to review respective statements prior CG mtg.

Sent Dept 318, rptd info Paris 108. [Linder.]

GIFFORD

[2] A summary of Linder's discussion with Makins on July 14 during which this promise was made is in telegram 290 from London, July 14, not printed. (460.509/7–1451)

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740.5/7–1751 : Telegram

*The United States Deputy Representative on the North Atlantic Council (Spofford) to the Secretary of State*

SECRET LONDON, July 17, 1951—noon.

Depto 58. 1. As previously reported, res re denial scarce supplies to Sov bloc still awaiting action by CD pending clarification Dan position. Had long talk on July 5 with Dan Dep, who stated his govt un-

willing accept res unless perhaps it were extended to deny supplies to all non-NAT countries. At his request, I gave him memo on July 6 (copies air-pouched to Dept for Martin, AmEmb Paris for King and AmEmb Copenhagen)[1] explaining in detail why such extension of res neither feasible nor desirable.

2. Dan dep today showed me Dan Govt memo intended for presentation to CD which takes position that res involves such "fundamental question of econ warfare" that it shld be referred to council mtg in Sept. However, when I expressed in strong terms my adverse reaction to this proposal and to the supporting Dan memo, Dan dep suggested he postpone circulating memo in CD until I had obtained your views. Believe Dan dep regrets his govt's action and still hopes salvage situation here.

3. Summary Dan memo fols: (copies being airpouched)[1] Den, which has accepted COCOM principles for embargoing strategic supplies, wld also be prepared subscribe to any appropriate system for mtg priority requirements of NATO def. However, "to introduce embargo vis-à-vis Sov bloc alone on grounds of scarcity is neither logical or advisable." Other measures may be found for remedying def shortages and embargoing as proposed "wld seem constitute an act not only of discrimination, but of econ warfare." Policy of econ warfare has not been considered by CD and deserves attention by council itself. Purpose of NATO cooperation is to "strengthen chances of peaceful solution" and "only where there is clear and present security interest shld any step be taken which aggravates existing tension." "Determination with which US dep maintains his position on para 5" is only one expression of gen US policy reflected in Kem amendment, withdrawal MFN concessions to Sov bloc, and broadening of COCOM restrictions. Quotations are given from Battle Committee report of June 7 to effect that complete embargo on East-West trade cld defeat purpose. My statement in CD on May 2 that over-all embargo wld not be desirable also quoted. Memo concludes that action shld be deferred on plan contained in para 5 "until Cabinet Ministers themselves have had opportunity discuss its implications, notably in polit field, during forthcoming council mtg." If this accepted, Dan Govt willing, in order not to waste time, to request FEB and DPB to initiate preparatory work assigned to these bodies in rest of res. (I understand this wld include technical study of measures to be taken under para 5, if eventually approved, and discussion of exceptions thereunder.)

4. I expressed to Dan dep my strong conviction that this proposal wld be entirely unacceptable to my govt, and contrasted Dan complaints about unilateral Kem amendment procedure with Dan unwillingness join in reasonable proposal for multilateral action on which 11

[1] Not printed.

countries already agreed. Wld appreciate your furnishing me with strong statement for transmission Dan dep. Believe subsequent direct approach to Dan Govt probably only hope breaking impasse.

Sent Dept Depto 58, rptd info Paris 114 (for Emb (King and Linder) and OSR), Copenhagen 15.

SPOFFORD

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460.509/7–1751 : Telegram

*The Ambassador in the United Kingdom (Gifford) to the Secretary of State*[1]

SECRET
NIACT

LONDON, July 17, 1951—2 p. m.

323. Excon. From Linder. After mtgs reported Embtel 318, July 16, rptd Paris 108.[2] Berthoud proposed US–UK mtg last night to "break deadlock" on disagreed 1 A items. He felt some compromise solution cld be found to resolve UK interministerial differences (stemming mainly from Min of Supply and BOT) and permit Cabinet decision Wednesday. He understood US position not completely inflexible, although he recognized we prefer solution 99 percent pure. Clearly understood that USDel in no way committed by UK offer, which US Govt free to find unacceptable.

Berthoud introduced offer by reiterating that UK believes remaining items do not meet criteria for list I. To put them there wld require exceptions of varying scope. UK considered this most unwise, since if UK and Fr begin making exceptions on important scale other PCs wld follow and strict embargo rule under list I wld be seriously compromised. UK policy had always been not to make exceptions. Same objections voiced to zero quota device. They felt practical effect of putting items of list II, and treating under para B–3 (*d*)—permitting exports only to extent required assure essential imports—wld be same as placing on list I and allowing exceptions.

As to specific items, UK proposed disposition along fol general lines:

1. Place both tin and rubber on list II and treat under para 3 (*a*), fixing quotas which wld permit "normal" peacetime shipments approximating "hold the line." (We commented that post-Korea cld not be considered normal.)

2. Four coal mining items wld be placed on list III. In view vital European need for Pol coal and tight US shipping situation, UK cld not understand US insistence on embargo these items. Agreed that two of items have general uses mining low grade ores but saw little hope that suitable definitions cld be found which wld separate out non-coal mining items. Pointed out 9 percent of UK exports these items past

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[1] Repeated to Paris.
[2] *Ante*, p. 1148.

three years have been of [*to?*] Pol and good part known definitely installed in coal mines.

3. Nine transportation and three heavy construction items wld be placed list II and treated under para 3 (*d*). Some indication that one or two transport items and part of one construction might possibly be raised list I.

4. Silicon carbide might be considered for list I in return for putting residual parts of asbestos item and insulated wire cable item on list II–3(*d*).

5. UK referred to interest of Fr del in aluminum and proposed this also be treated under list II–3(*d*). Berthoud had advised Fr of this mtg. (We had understood Fr probably willing go along on embargo except for 5 or 6 items including aluminum.)

UK officials meeting today to firm up proposal, which they will discuss further with us Wednesday in Paris, at which time we will firm up CG presentations.

USDel has not had time study full implications UK proposal, especially as to how proposal cld be put to other PCs so as to encourage widest *de facto* embargo these items (i.e., substituting other exports as quid for the quo). We believe it may be possible work out UK control for all disagreed items (except tin, rubber and coal mining equip) which wld be roughly equivalent to embargo with clearly justified exceptions, and that exports other items such as tin cld be justified as necessary part of *quid pro quo* arrangement. This wld mean net result of complete embargo roughly two-thirds of additional I A items we proposed, and controls over remainder ranging from *de facto* embargo to reasonable quota treatment, plus a practical solution to long-standing rubber problem. In opinion USDel, it shld be possible for US Govt to accept this solution as representing adequate and defensible security controls over items we regard as of primary strategic importance. USDel convinced that solution roughly as indicated above is best obtainable without causing breakdown of multilateral cooperation in this field, or creating such disturbance that likelihood of our obtaining more adequate controls over goods of secondary strategic importance wld be seriously impaired.

From viewpoint US legislative situation, furthermore, we see some advantage in UK proposal for list II treatment under para 3 (*d*), which opens way for *de facto* embargo of these primary items by other PCs. Alternative wld be fixed quotas on some items, whereas *quid pro quo* approach permits strong US pressure not to allow any exports unless advantage to west clearly demonstrable. USDel wld, of course, insist on statement along that line as part of CG presentation. If Dept deems desirable, USDel cld also make clear at CG meeting that widest possible embargo these items will reduce number of specific exceptions possibly required under legislation such as Battle Bill. Alternative is to make this situation clear through direct approaches to other PCs.

Emb has followed this negot closely and is of opinion that this represents sincere effort by UK to produce acceptable compromise. If we press for full position we run risk of losing additional concessions proposed by Berthoud last night. Makins has emphasized both to Holmes and Linder his view that this is most difficult problem in US–UK relations and there is real possibility that Cabinet will simply refuse to budge if we push too hard. Therefore, we do not feel that any further high level approach shld be made at this time.

USDel proceeding Paris today.

Appreciate any comments or instructs Dept may have on foregoing, preferably by tomorrow afternoon.[3] [Linder.]

GIFFORD

[3] In telegram 385 to Paris, July 17, the Department of State informed Linder that the United States Delegation was in the best position to judge whether the latest compromise offered by the British was the maximum which could be obtained without seriously risking the breakdown of multilateral cooperation in the security control field and whether it would be accepted by the NSC as a suitable basis for making exemptions under either the Kem Amendment or the Battle Act. (460.509/7–1751)

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460.509/7–1851 : Telegram

*The Ambassador in France (Bruce) to the Secretary of State*

SECRET PARIS, July 18, 1951—midnight.

387. Excon. From Linder.[1] UK Cabinet decision reported at mtg 3 dels this evening negative in respect of immediate decision on 20 items. UK only prepared to discuss them within COCOM. At CG UK and Fr will respectively present QC and exception papers. UK will present list of 33 items accepted by them and Fr inclusion on I and II and state they regard balance our list requires discussion and decision in COCOM. In all this Fr will concur.

Berthoud stated privately Cabinet has in mind that embargo additional items so important trade of Western Eur that UK unwilling bring pressure on other PC's implicit in any degree of acceptance now of additional items. Other confidential indications that Treasury swung decision in Cabinet because of concern of deteriorating balance of payments position. Also possible UK suspects US dilemma which is that we wish continue aid and feeling urgency make exceptions for UK and Fr, we shall do so based on present area agreement which they will infer to mean they have already gone as far as necessary.

In CG tomorrow, USDel will reiterate US conviction all 1–A items of primary importance and shld be embargoes. With UK and Fr agreement, we will request all PC's come to next CG mtg in ten days

[1] The United States Delegation to the London tripartite discussions on export controls, led by Linder, left London on July 18 and arrived in Paris that same night. The delegation was in Paris for the meetings of the Consultative Group and COCOM.

prepared to state position on all 1–A items and QC and exceptions proposals and to instruct COCOM undertake immed consideration any items not agreed. Believe minimum time for decision of COCOM three to four weeks from now.

Linder giving consideration to visit individual PC capitals particularly Copenhagen, Brussels, Hague, in order emphasize importance US attributes to maximum area multilateral agreement subject to mission chiefs concurrence. Pls comment.[2]

Sent Dept 387, rptd info London 89. [Linder.]

BRUCE

[2] In telegram 449 to Paris, July 19, not printed, the Department of State endorsed Linder's suggestion to visit the three European capitals mentioned. (460.509/7–1951)

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460.549/7–1751 : Telegram

*The Secretary of State to the Embassy in France* [1]

SECRET WASHINGTON, July 19, 1951—6 p. m.

NIACT PRIORITY

439. Excon for Linder. Re urtel 360, July 17.[2] Dept believes difficult justify to other agencies policy with respect to licensing List I items to Swiss which is more lenient than that now applied COCOM countries with respect I–A items. We believe furthest we shld reasonably go in modifying licensing policy re Swiss is to license freely items they embargo and to treat Internatl List I items for which Swiss have estab quotas on same basis as that now accorded I–A's for COCOM countries, i.e., if when asked for assurances country can make justifiable case for continued shipment, granting or denial of licenses will be considered in light all facts.

However we feel you shld continue urge complete embargo Internatl List I items and that argument to Swiss for embargo must be necessity for denial these items to Bloc in their own security interests. Although we recognize that withholding licenses has probably had effect on Swiss willingness to coop, resort to sanction of license denials has also opened way for Swiss proposals such as those they have put forward, suggesting in effect a "deal" i.e., Swiss action on embargo certain items in return for US action on licensing other items. We do not believe we shld even discus this type "deal" with Swiss but continue to maintain that no action short of complete embargo on List I, with exceptions for hardship and prior commitment as agreed COCOM, is adequate on security grounds.

Dept has not yet discussed suggestion para 1 with other agencies. We believe it wld constitute reasonable treatment for Swiss if final

[1] Drafted by Camp and cleared with Peterson and Leddy; repeated to Bern.
[2] Not printed.

Swiss action is along lines indicated Bern's recent tels but as indicated above we do not believe US licensing procedure shld be directly tied in to negotiations as *quid pro quo* for Swiss action.

ACHESON

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460.509/7–2051 : Telegram

*The Minister in Switzerland (Patterson) to the Secretary of State*

SECRET BERN, July 20, 1951—5 p. m.

NIACT

115. We are seriously concerned about instrs sent to Linder re Excon negots with Swiss (Deptel 439 sent Paris, rptd info Bern 125, July 19)[1] as we believe position requested by Dept wld have most critical effect on our relations with Swiss. It is our understanding that Swiss objections on principle to absolute embargo all strategic items were communicated to Dept well in advance of opening of negots in Bern (Legtel 1515 May 10).[2] Dept's reply (Deptel 1525 rptd info Paris 6027 May 11)[3] gave us impression there was some understanding of this position in Dept. Since that time, although we have been aware that US objective was to persuade Swiss adopt *de facto* embargo on all items, we supposed that eventually it might be necessary or advisable to conclude practical arrangement whereby minimum quotas were maintained on a certain few items.

In Legtel 1551 rptd Paris 193, May 20,[4] it was suggested that before any US del was sent to Bern scope and purpose of negots be well understood on both sides. It seemed at that time that there wld be no practical reason for negotiating if Swiss intended to maintain principle of "normal trade" as it was then conceived. Fact that Swiss accepted proposal for negots on whole problem gave us fairly clear indication that they were prepared to make concessions. By same token we consider that willingness on our part to enter negots gave Swiss understandable reason for thinking that we also were willing make concessions. Otherwise there wld appear to be very little purpose in having negots or for sending US deleg to Bern.

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[1] *Supra.*

[2] Not printed; it reported on a discussion between Embassy officials and representatives of the Swiss Government concerning what steps the Swiss were taking to meet United States desires regarding items on the international lists. (460.509/5–1051)

[3] Not printed; it stated that the Department of State had two objectives in negotiating with the Swiss Government and they were to release needed exports to Switzerland as soon as the Swiss gave assurances that it would not allow these materials to be exported to the Soviet bloc and to convince Switzerland to adopt adequate control over all List I items. (454.119/5–1151)

[4] Not printed; it briefly summarized preliminary talks with the Swiss Government concerning the subject of export controls. (460.509/5–2051)

In para 5 Deptel 1772, rptd info Paris 7020, June 22 [5] Dept stated that "objection of US negots must be obtained complete as possible *de facto* embargo, etc.", indicating once more that solution on basis something less than total and absolute embargo might be acceptable if Swiss refused to go whole way, and it must have been apparent from Legtel's to Dept since opening of negots that Swiss were expecting that arrangement wld be reached which wld fall somewhere short of original US objective. Fact that part of del remained to continue discussions after Linder's departure certainly gave Swiss good reason hope that their expectations wld be fulfilled.

Up to receipt of reftel we had no reason to think that US del in effect had no auth to agree to arrangement on any basis different from original US terms. We also had no reason to think that the question of US action on pending license applications was not tied into present negots. Swiss have made it very obvious since outset that they expected some change in US attitude on licensing if reasonably satisfactory agreement cld be reached in Bern.

We do not wish to speak for del since we have not had opportunity discuss details with Linder since receipt of reftel. We do wish however to record with Dept Leg's opinion that Dept's instruction places del in an intolerable position and will almost surely, if carried out, provoke charges of bad faith against which we have no good defense. In view these convictions we sincerely hope that Dept's final instrs will be framed so as to avoid the difficulties which we have outlined. In any event wld appreciate reply soonest.

Linder has been informed that Leg does not believe it wise for him to return to Bern if acting under present instrs. Linder agrees that situation must be clarified and will stand by in Paris pending word from Dept.

Sent Dept niact 115, rptd info Paris niact 24 for Linder.

PATTERSON

[5] *Ante*, p. 1128.

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460.509/7-2051 : Telegram

*The Secretary of State to the Embassy in France* [1]

SECRET WASHINGTON, July 20, 1951—8 p. m.

PRIORITY NIACT

498. Excon for Linder. ReEmbs 438 July 20 [2] and Bern's 115 July 20

[1] Drafted by Camp and cleared with Peterson, Moline, and Anderson of Commerce; repeated to Bern.

[2] Not printed; it stated that Linder's proposed trip had the approval of the British and French who were satisfied that it would foster the multilateral approach. (460.509/7-2051)

rptd Paris as 24.[3] Dept. considers Linder should proceed to Bern as planned. We believe Legation Bern has misunderstood Deptel 439 rptd Bern 125.[4] Essential points we were trying to make in Deptel were (1) that we did not believe we should attempt to justify to other agencies a licensing procedure for Switz, which would in practice be more lenient than present licensing procedure with respect COCOM countries and (2) that our concept of negotiation with Swiss is not that we are engaged in making a "deal" with them whereby for taking action which we believe is in their own interest i.e. embargo action on International List I, we reward them by issuing license. We do not see any reason why we should license freely International List I items not embargoed by Swiss because of fact that they have embargoed certain other List I items.

We think Swiss have in fact agreed to do much more than we had anticipated and we believe Linder should on his return to Bern express gratification that Swiss are ready to take this action. In accordance already agreed licensing procedures he can of course also inform them that licenses for goods which Swiss have embargoed will be licensed freely. So far as other List I items are concerned we believe he should continue to express disappointment that Swiss have not agreed to embargo and simply indicate that the US will have to continue to review licenses for these items in light of all the facts. Question of degree of leniency in licensing these items can best be discussed with other agencies by Linder on his return. If Swiss indicate they can not go further Linder should reiterate appreciation significant progress made and depart.

Foregoing discussed informally with Anderson (Commerce) who strongly concurs.

ACHESON

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[3] *Supra.*
[4] Dated July 19, p. 1154.

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460.509/7–2051 : Telegram

*The Ambassador in France (Bruce) to the Secretary of State*

SECRET PRIORITY PARIS, July 20, 1951—8 p. m.

439. Excon. From Linder. CG mtgs held July 19–20 in 3 plenary sessions. Adjourned today with agreement reconvening Aug 1 at which time CG will take final action on list II and exceptions proposals and will refer any unagreed I–A COCOM for disposition. PC's agreed to hasten response to extent possible and scheduled COCOM mtg July 26 in order to receive any responses and permit discussion for further clarification points raised about items or other proposals.

COCOM instructed to prepare summarizing point of agreement and residual area disagreement.

US opening statement along lines given in London was commented upon very favorably as reflecting US willingness proceed in cooperative spirit. Most dels indicated recognition US problem and desire to meet it. Denmark del was generally obstructionist throughout. Dels recognized urgency of problem from US viewpoint, while insisting on adequate time give full study to US proposals. Following Linder presentation Berthoud made very fine extemporaneous speech lauding US approach to problem and setting excellent tone for remainder of mtg.

Between plenary sessions, round table mtg conducted by Tri dels to clarify QC and exceptions proposals, and we believe relatively little difficulty will be encountered in this field if something can be done about Den and possibly FedRep (on base period aspect).

After Fr del presented exceptions proposal, USDel commented on fact that list I goods more important than those on list II and that proposal not intended in any sense as relaxation of previously existing agreement under which PC's have treated exceptions with greatest caution. US statement circulated for record.

In commenting on US [position?] UK del stated (and circulated for record) that unable to complete examination of items in short time available but in light our documentation and their own independent review they cld accept 33 (subj certain modifications of defin) for addition list I. On remaining 20, stated must fully reserve position pending their exam by group. (Berthoud promised UK position in COCOM review will be to continue exploration 20 items and not to freeze position at 33.) On whole we believe sessions went well.

Sent Dept 439 rptd info London 102. [Linder.]

BRUCE

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740.5/7–1751 : Telegram

*The Secretary of State to the United States Deputy Representative on the North Atlantic Council (Spofford), at London*[1]

SECRET WASHINGTON, July 24, 1951—3 p. m.

Todep 46. Ref Depto 58 rptd Copenhagen 15.[2] Dept strongly concurs desirable avoid having Dan memo on export controls submitted to Council and auth you inform Dan Dep that we hope further discussions between two Govts will clarify apparent misunderstanding and enable Dan Govt withdraw reservation in CD.

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[1] Drafted by Camp; repeated to Copenhagen and Bern for Linder.
[2] Dated July 17, p. 1149.

Dan Amb saw Thorp July 17[3] and left memo on gen subj Dan trade with Bloc and reviewed points which concern Danes. Thorp reviewed legis develops with Amb, explained in gen terms our objectives in recent negots in Paris and reiterated our desire preserve multilateral approach this problem.

We believe fundamental reason for Dan action in CD is not objection to CD Res in its present form but deep seated uneasiness that US objective is in fact econ warfare against Bloc as distinct from econ def measures. We believe they have also magnified scope NATO action. As you know we do not envisage NATO action will be taken on many items. Proposal was first made by Brit to deal with specific machine tool problem and we feel NATO action shld be kept to limited field key items urgently required def needs. We do not believe NATO action shld be a device bring pressure on NATO countries take action in which we have been unsuccessful in COCOM.

We believe that as result Thorp–Kaufman conversation and recent CG Mtg in Paris when new US and Tri proposals were fully explained by Linder and our desire continue with multilateral approach to this problem reaffirmed, Dan worries may have been partially overcome.

Dept also believes advisable for Harold Linder Dep Asst Secy of State for Econ Aff who is thoroughly familiar with legis situation here and who has headed USDel to Tri and CG discussion visit Copenhagen and review situation with Danes. Linder will visit Copenhagen week of July 23.

ACHESON

[3] No memorandum of this conversation has been found in Department of State files.

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460.509/7–2451 : Telegram

*The Minister in Switzerland (Patterson) to the Secretary of State*

SECRET

BERN, July 24, 1951—noon.

127. At mtg July 23 Linder[1] gave statement of US position in accordance Deptel 498 to Paris rptd Bern 135 July 20.[2] Informed Swiss of US appreciation steps taken by them to date. Expressed disappointment however that Swiss had failed go full way toward embargo. Stated US shld be able license all IL I items to Switzerland which they embargoed to East. With respect to those items which Swiss maintain

[1] Linder arrived in Bern on July 23 for the second phase of meetings with Swiss officials outlined in telegram 1772 to Bern, June 22, p. 1128. The following day Linder traveled to Brussels, then on to The Hague (July 25–26), Copenhagen (July 26–27), and finally back to Paris on July 27. For documentation concerning his visit to Copenhagen, see telegram 84 from Copenhagen, July 27, *infra*; reports on his visits to Brussels and The Hague, not printed, were sent to the Department of State in telegram 121 from Brussels, July 24 (460.509/7–2451), and despatch 169 from The Hague, July 30 (460.509/7–3051), respectively.

[2] *Ante*, p. 1156.

that they must ship under their normal trade concept, Linder pointed out that they wld have to present strong justification before US wld be willing to issue licenses. He also stated that Swiss wld receive same treatment with respect to licensing of US I A item as accorded other Western European countries.

In reply to Swiss question as to action US might take relative to companies shipping IL I commodities to East under export licenses issued by Swiss Govt, Linder said we wld not place such firms on watch list if we granted exception to Swiss for such shipment.

Swiss reaction was mixed, several members their del expressed disappointment that US not fully satisfied results their efforts or that US had failed recognize their special position. They had expected immediate release all licenses regardless of fact they did not embargo all items. Upon question as to what they must do to claim exception, Linder explained they must base it upon absolute necessity of obtaining critical commodities for their economy or defense effort and if this were established we stated US wld give sympathetic treatment their requests.

In recapitulation fol is agreement reached:

1. Swiss agree full embargo AEC items.
2. Swiss agree embargo all but 18 items on IL I.
3. Swiss agree maintain shipments of IL II items at 1949–50 level or approximately 65 million Swiss francs.
4. Swiss agree give Western European countries unwritten priority in execution of orders.
5. Swiss to administer quotas on company and country basis.

Subsequent mtg Linder saw Rubattel [3] with Hotz and recapitulated to former entire agreed position stating that he was reporting fully to Dept. Rubattel expressed appreciation and stated he understood fully that we may in due course raise additional items such as those on 1 A list.

Mtg concluded with dinner in excellent atmosphere attended by Patterson and entire dels each side.

View of Depts reluctance have negots take form of deal we have refrained from proposing in plenary session written communication from US stating our understanding of their position. Were we to do this they wld inevitably reply what they understand to be our commitment re licensing policy. If, nevertheless, Dept wishes written understanding suggest Leg be instructed to present *aide mémoire* requesting confirmatory reply.

Sent Dept 127, rptd info Paris 29, London 25.

PATTERSON

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[3] Rodolphe Rubattel, Member of the Federal Council and Minister of Public Economy.

759.5–MAP/7–2751 : Telegram

*The Chargé in Denmark (Shantz) to the Secretary of State*

SECRET COPENHAGEN, July 27, 1951—7 p. m.

84. Excon. Toisa. In very satisfactory mtg yesterday extending about two hours between Linder and Kristiansen,[1] acting chief FonOff econ sec, attended by Emb and other Den reps fol discussed.

1. List I additions. Linder explained fully legis and admin background Kem and Battle bills[2] and reasons behind our COCOM proposals. Stressing our interest in multilateral approach he urged Den accept maximum number additions to list as well as other proposals; in answer to questioning assuaged Den feelings by explaining why Nor has recd exemption.

To Kristiansen's contention Battle bill seemed best suited for bilateral arrangements Linder again emphasized US preference for multilateral approach altho admitting US wld continue wish to be consulted bilaterally. Kristiansen then stated Den ready accept "majority" of list I additions (when Linder hoped this meant very substantial majority Kristiansen agreed stating "all but small minority of items" with qualification experts' study not yet completed) but that it wld be difficult for Den to accept a few items. Altho some technical difficulties posed by remainder US proposals he foresaw no reason why Den cld not agree.

In conclusion Kristiansen stated his belief Den can give satisfaction and will go along as far as security interests involved "even if it hurts". Fact Den does not have diversified line of goods advantageous in COCOM since this makes easier acceptance additions to list I but is weakness from point of view of negots with bloc since Den cannot offer as wide a range of goods as can other countries.

2. Re auto parts for Pol, Linder stressed urgency for Den to present full story re effect nondelivery or delay in delivery of parts on coal shipments from Pol, which Kristiansen agreed to do latest Monday.[3]

3. Re res in CD to embargo scarce items to bloc, Kristiansen led into this by stating that "rightly or wrongly" Den concerned over US attitude which implied econ warfare. Den had hoped raise question in CD and was disappointed its del had not done so. Linder countered with statement it was difficult understand why Den alone had held out when other countries with similar interest had agreed altho we had suspected reasons for concern of Danes were unfounded. He out-

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[1] Erling Kristiansen.

[2] For information concerning the Kem Amendment, see the editorial note, p. 1073; for information concerning the Battle Act, see the editorial note, p. 1176.

[3] For information concerning National Security Council action on the question of the export of automobile parts via Denmark for Poland, see the Report prepared by the Department of State and the Economic Cooperation Administration, August 24, p. 1169.

lined reasons, expanding on Spofford memo of July 6,[4] why it was reasonable in certain circumstances direct embargo to bloc. As illustration Linder pointed out that NATO countries clearly entitled first priority on scarce items, next other countries which supply materials essential to def effort of NATO, etc., until it was clear bloc might be last on list of priorities, thus insuring that it wld in practice obtain no scarce materials or items. Kristiansen grasped at this concept and indicated strongly as personal opinion that if para 5 of D. D. (51) 158[5] cld be reworded to indicate priority concept with bloc on bottom of list rather than embargo his govt cld agree to res. While Danes feel strongly about their principle in this matter, Linder and Emb sense from the mtg that Danes are embarrassed to be alone; hence we believe shld be possible find words which they wld accept.

Conclusions: as result of Linder talks which allayed basic Den fears on econ warfare, Emb thinks Den will:

(1) Help in reaching agrmt in COCOM on additional list I items.
(2) Agree to other proposals in COCOM.
(3) Agree to rewording of the CD res embodying principle of priority rather than denial to bloc.

Sent Dept 84, rptd info London 10 for Spofford, Paris 9.

SHANTZ

[4] Not printed, but see Depto 58 from London, July 17, p. 1149.
[5] NATO document D–D (51) 158 of October 24, 1951, "Use of Export Controls to Insure Adequate Supplies for NATO Military Production," is not printed. (NATO Sub-Registry) For information concerning an earlier draft of this document, see footnote 2, p. 1094.

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740.5/7–3151 : Telegram

*The Acting United States Deputy Representative on the North Atlantic Council (Achilles) to the Secretary of State*

SECRET

LONDON, July 31, 1951—6 p. m.

Depto 141. Re Copenhagen to Dept 84, rptd London 10, para 3.[1]

1. Dan dep called morning July 30 to present his govt's proposal re amending para 5, D–D (51) 158. Proposed insertion which wld substitute for "their supply to Sov Union or areas under its domination or control shld be denied" fols:

"NAT countries shall in their export policy with regard to such items give an absolute priority to the requirements of other NAT countries and to those of countries which are associated with NAT countries or in whose economic strength and development they take a specific positive interest."

2. In discussing his govt's purposes in stating matter "negatively" as he put it, he was certain about its desire not to name Sov Union. He was less certain as to whether or not it was prepared to subscribe

[1] *Supra.*

to embargo principle however worded. This led me to suggest on personal basis that he consult his govt as to whether it wld agree add fol words to its proposed insertion "and will not permit their supply to other countries." It was understood we wld have to consult on Dan proposal and he agreed consult his govt ref my suggestion.

3. We expressed appreciation for his withholding his earlier memo (see Todep 58)[2] and we agreed it better in this case to resolve the difference between the two govts concerned without raising the matter in the CD. Also expressed the hope that further discussions between the two govts wld soon clarify the misunderstanding.

He indicated that he had not been informed of the Thorp–Kaufman conversation this matter. He then made the points included in para 3 Todep 46.[3]

4. Were Dan Govt to agree inclusion embargo principle, however worded, difference remaining between us wld appear consist of (*a*) matter naming Sov Union, and (*b*) question of inclusion priority principle. Matter of not naming Sov Union might involve cumbersome wording or tacit understanding and shld not constitute insurmountable problem. Dan dep indicated his belief that Dan Govt felt that inclusion priority principle resulted in resolution whose content was that of a conservation measure, rather than an economic warfare measure. How strongly they desire its inclusion is question. Dept's view (para 3, Todep 46) that Denmark does not object to CD res in its present form wld seem be verified if Danes agree inclusion embargo principle. Problem might then consist of completely dispelling uneasiness that US objective is economic warfare. On other hand, Linder states (see Copenhagen to Dept 84, rptd London 10) Danes feel strongly re priority principle. Some accommodation may, therefore, be necessary secure their agreement.

5. Shld appreciate Dept's and Emb's reaction to above. Will cable Dan reaction my query when recd.

Sent Dept Depto 141, reptd info Paris for King and Linder and OSR 225, Copenhagen 24.

ACHILLES

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[2] Not printed; it discussed the prospects for a meeting of the North Atlantic Council in mid-September and the strategy involved in making the preparations. (740.5/7–2851)

[3] Dated July 24, p. 1158.

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460.509/7–3151 : Telegram

*The Ambassador in the United Kingdom (Gifford) to the Secretary of State*

SECRET

LONDON, July 31, 1951—8 p. m.

638. Excon. For Linder. In view of the consultative group meeting in Paris tomorrow to consider our proposals for strengthening security

controls on exports to the Soviet bloc, I saw Morrison [1] and expressed to him the hope that the Brit Govt would do everything possible to reduce to the minimum the remaining area of disagreement between US on the controls. I hoped that they would be able to add as many as possible to the 20 items which we had proposed for list I and to which they had not yet agreed. I pointed out the importance of the Brit position since other Western European countries tend to follow their lead. Morrison emphasized again their need for maintaining some trade with the East in order to live, mentioning particularly possible short supplies of meat and the need for grain for feedstuffs, but agreed to do what he could.

Sent Dept 638, repeated info Paris 235.

GIFFORD

[1] Herbert Morrison, British Secretary of State for Foreign Affairs.

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460.509/8–251 : Telegram

*The Chargé in France (Bonsal) to the Secretary of State*

SECRET PRIORITY PARIS, August 2, 1951—7 p. m.

735. Excon. From Linder. CG mtg August 1 resulted as fols:

1. Acceptance by all PC's of 34 out of 53 items proposed by US for List I and decision to refer 19 disagreed items to COCOM for further discussion in Sept. UK objected to embargo 18 items in fields of rail transport, heavy construction, coal mining equip, tin and aluminum, on grounds embargo items in these sectors basic to general industrial economy is not justified under existing List I criteria. UK supported by Fr on 15 items, Belg on 9, Neth on 9, Nor on 1, Itals on 4. Den maintained technical reservation on item 102, on which remains lone objector, but withdrew on 12 electronics items on which previously reserved. At same time Den entered objection on policy grounds to all 18 items opposed by UK. UK and Fr emphasized that time available to PC's to study items had been insufficient permit full exchange views as to whether disagreed items justified for embargo or other appropriate control. Considerable debate on criteria took place. Den, Neth and Nor strongly supported UK. Den asserted there shld be clear and present security interest before entering basic economy fields. Admitted difficulty drawing line where industrial potential becomes war potential but felt even harder draw line in future if PC's now enter fields such as transport and construction. Nor and Neth shared "grave concern" re extension lists beyond "proper fields", although both had limited their objections to items in which concern on policy grounds had coincided with direct econ interest. USDel referred to language of criteria and reiterated belief 53 items meet criteria.

2. List II proposal was accepted with minor changes, but *ad referendum* by FedRep. Belg, Nor and Den expressed strong doubts as to practicability of quantity controls. Den concerned that para 3(*d*) implied virtual embargo list items if agrmt not reached on limits and was willing accept proposal only on understanding that, as working directive to COCOM, text may be modified in COCOM if necessary in light of effort to work out practical control system. Chairman agreed, provided that if changes alter spirit of doc, matter shld be referred back to CG. To meet FedRep objection to postwar base period para 3(*a*), para amended at UK suggestion (with our concurrence) by adding fol phrase: "except where such a period is agreed to be manifestly inequitable to one or more of the PC's". FedRep stated had firm instrs oppose postwar base, and cld accept revision only *ad ref*. Wld recommend his govt accept. At request Ital and Belg dels, para 3(*c*) of proposal had earlier been revised by deleting "no exports will be permitted until a new decision has been made" and substituting "the COCOM shall examine whether as a temporary measure exports shld be more seriously restricted and, if necessary, denied". Agreed that COCOM examine list II items under new proposal wld begin Sept.

3. Exceptions proposal accepted by all PC's. Neth del took opportunity to put question openly and direct to USDel as to whether US wld make unilateral representations to individual PC's on matters decided in COCOM multilaterally. Question was not clearly put, but since directed to one country, chairman ruled it improper. USDel commented that believed question out of order in multilateral forum, but desired clarify that, if question referred to proposal on exceptions (which leaves ultimate decision to individual PC's), US felt free to make views known either in COCOM or to individual PC. Pointed out to Neth del after mtg that US wld naturally be guided by principles generally agreed in COCOM, but wld not fail to take up with another govt any matters affecting direct relations between US and that govt.

4. When Den raised question re strictness of 3 (*d*) rule in List II proposal (para 2 above), Berthoud stated that UK also interprets 3(*d*) as implying very strict control and commented that UK had in mind that some of disagreed items proposed by US for List I might be treated in this manner. (USDel doubts this was calculated statement since some members UK del have criticized 3(*d*) rule on grounds it opens door too wide.)

5. Ital del noted Ital had just accepted Tri formula for control ball and roller bearings on permanent basis at COCOM. Stated he considered bearings control raises same questions as embargoes in transport and construction fields under agreed criteria, but believed it more important to maintain uniformity of policy and action among PC's. Urged that other PC's examine disagreed items in same spirit, modifying definitions of some items if necessary.

6. Disposition agenda items on shipping and COCOM budget reported separately.

7. Since discussion of disagreed items we proposed for embargo will be resumed early Sept, as well as COCOM review List II items, suggest Dept inform Commerce and Defense Depts importance having necessary experts available to assist USDel COCOM.

Sent Dept 735, rptd info Frankfort 75, London unn, Rome unn, Brussels unn, The Hague unn, Copenhagen unn, Oslo unn, Lisbon unn, Bern unn, Stockholm unn, Vienna unn. [Linder.]

BONSAL

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400.009/8–851

*Memorandum of Conversation, by Mr. Robert B. Wright of the Economic Defense Staff*

CONFIDENTIAL WASHINGTON, August 8, 1951.

Subject: Battle Bill and Security Trade Controls

Participants: Mr. Kenneth Hansen, Staff Assistant to Senator O'Conor [1]
Mr. Moline, EDS
Mr. Wright, EDS
Mr. Dow, EDS [2]
Mr. Coster, EDS [3]
Mr. Culbert, EDS [4]

Mr. Hansen called to discuss various matters of interest to him in connection with security trade control developments. He said that he was in the final stages of preparing his report on his trip to the Far East. He expressed special interest in such recent developments as the control of shipping to China instituted by Panama, the excessive quantities of petroleum products available in Macao, and the requirements within the Soviet Bloc for tankers.

Mr. Hansen had previously expressed interest in the Battle Bill [5] in a conversation with Mr. Coster. He was queried further on this point

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[1] Senator Herbert R. O'Conor from Maryland was chairman of the Committee on Interstate and Foreign Commerce's Subcommittee on Export Controls and Policies. O'Conor's Subcommittee held a hearing on February 2 concerning shipments of cotton to Communist China and again on May 16 and June 14 regarding the export of strategic materials through the Federal Republic of Germany. For a record of these proceedings, see the *Hearings before the Subcommittee on Export Controls and Policies of the Committee on Interstate and Foreign Commerce*, United States Senate, 82d Congress, 1st Session, Parts 2 and 3 (Washington, Government Printing Office, 1951).

[2] Edward A. Dow.

[3] Douglas W. Coster.

[4] William E. Culbert.

[5] For information concerning the Battle Bill, see the editorial note, p. 1176.

and made a number of comments relating to the substance of the Battle Bill and the strategy for securing its approval. He said that he believed Senator O'Conor was disposed to support the Bill if his support could be presented in terms of a great mediator compromising the conflicting philosophies as represented by the Battle Bill and Senator Kem. Mr. Hansen said that he had made clear to Senator O'Conor and believed that Senator O'Conor was in full agreement that the Kem Amendment [6] was the wrong way to handle the problem of trade controls and that the Battle Bill appeared to be a more satisfactory substitute. Mr. Hansen said that of course Senator O'Conor for political reasons could not completely endorse the Battle Bill in its present form. It would be necessary for him to suggest some changes in that Bill in matters of definition or drafting, and also to find some angle relating to the legislation which Senator O'Conor could exploit as his own more or less original contribution to the discussion. With respect to the substantive changes in the Bill, Mr. Hansen had in mind such matters as defining the countries which threaten U.S. national security in some terms more general than those used in the Bill to permit the application of the legislation to countries which might conceivably in future represent a threat to our national security but which are not at present members of the Soviet Bloc. With respect to the special angle or "gimmick" which might serve as a rallying point for Senator O'Conor's support of the Bill, Mr. Hansen had in mind a proposal that the legislation be made more responsive to the special problems which might arise as between various geographic areas of the world in order to permit greater "operational flexibility" in fulfilling the legislation. It was his belief that at least in our discussions with European countries we have progressed beyond the point where the problem is primarily one of obtaining agreement to controls, but is more a problem now of developing tight enough techniques of fulfilling agreements already reached. This would involve such questions as adequate transshipment controls, adequate shipping controls, financial controls, etc. As the legislation in the Battle Bill is now drawn, Mr. Hansen believes that it did not provide as much recognition of this need for "operational flexibility" as might be desirable, and accordingly thought that this might be a point which the Senator could emphasize.

In discussing the Bill, Mr. Hansen said that it would be particularly useful if the State Department could see that the facts relating to East-West trade are adequately available to the various congressional committees. He said that the shortcomings in previous testimonies offered by the Executive Branch on this problem had been a lack of

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[6] For information concerning the Kem Amendment, see the editorial note, p. 1073.

factual data and over-emphasis on general theory. He said that there should be more examples of the type of problem which arises in trade between the free world and the Soviet Bloc. Mr. Moline said that we were quite aware of this problem but that unfortunately the State Department is not completely a free agent in presenting data to the Congress concerning trade controls in view of the fact that Western European countries still are very reluctant to have any publicity given to the arrangements and activities of the Coordinating Committee in Paris. He said that in connection with the exceptions to be filed for Western European countries under the Kem Amendment it was expected that a real effort will be made to provide as full data as possible on the details of trade problems encountered by Western European countries in their trade relations with the Soviet Bloc. He also emphasized that the Battle Bill had been properly presented by Congressman Battle as his own legislation and the State Department had been careful to avoid any overt support of the Bill which might only have the result of killing it entirely. It was therefore perhaps inadvisable for the Department to take the initiative for furnishing information to Congressional committees, but it was expected that Congressman Battle or Mr. Wilcox would make known to Mr. Linder any points on which the Department might be helpful. It would certainly be our intention to provide whatever data could be provided in response to direct requests from the Congress. Mr. Moline did, however, express interest in Mr. Hansen's general comment to the effect that it was wise to keep the staffs of the Congressional committees factually informed to be certain that an accurate picture is presented to Congressmen when they make inquiry of their staff. In this connection Mr. Hansen mentioned especially the desirability of keeping the legislative reference service factually informed.

Mr. Moline expressed thanks for Mr. Hansen's comments, and it was understood that if there was any information or comment which he would like to have, he would be free to get in touch with members of the Economic Defense Staff. It was specifically understood that he would be provided copies of Mr. Gross' presentation to the United States in connection with the arms embargo for China.[7]

Mr. Hansen agreed to show us any suggestions he might develop for changes in the Battle Bill.

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[7] Documentation concerning United States policy with regard to restriction of trade with North Korea and Mainland China is presented in volume VII.

S/S–NSC Files, Lot 63 D 351, NSC 104–Memoranda

*Report Prepared by the Department of State and the Economic Cooperation Administration*[1]

SECRET [WASHINGTON, August 24, 1951.]

## EXPORT OF AUTOMOTIVE PARTS VIA DENMARK FOR POLAND[2]

### STATEMENT OF PROBLEM

1. Poland has made the continued delivery of coal to Denmark contingent upon the delivery of automotive spare parts by Denmark. On August 27, trade negotiations are scheduled to commence between Poland and Denmark. Denmark remains committed under the 1949–1950 and 1950–1951 trade agreements to export to Poland $1,342,000 of United States manufactured automotive and light truck spare parts, which have not been delivered. The parts are to be obtained in the United States for the Danish subsidiaries of Ford and General Motors. The Danes have requested the United States to approve a General Motors application for $210,250 currently pending in the Department of Commerce and an assurance from the United States that if and when orders can be placed for the remaining parts, licenses will be granted. Thus far it has been impossible to reach interdepartmental agreement to give the Danes the assurances they have requested.

### BACKGROUND DISCUSSION

2. On August 28 the Danes will begin negotiations with the Poles for the 1951–1952 trade agreement. In the past, the Danes have had three "hard goods" which, in addition to fish, foodstuffs and other non-essentials, were attractive enough to the Polish Government so that it was willing to ship coal to Denmark at an annual rate of approximately 2 million tons. These three goods were cargo ships, antibiotics obtained from the United States and re-exported, and automotive parts shipped from the Danish subsidiaries of General Motors and Ford Motors. In the past, the Poles had been willing to accept some sterling, but this year the Danes have been informed that the Poles will not accept sterling for coal. Furthermore, judging by the Norwegian-Polish negotiations, it is apparent that the Poles will not accept dollars either. We have already indicated to the Danes that

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[1] According to a covering memorandum attached to the source text, this report was circulated to members of the National Security Council on August 24 for "urgent consideration" by the Council at its next regular meeting on August 29.

[2] At the daily staff meeting with the Secretary of State on August 27, Charles E. Bohlen, Counselor of the Department of State, reported that a difficult issue on East-West trade was coming before the National Security Council when this subject was discussed because the Departments of Commerce and Defense were against allowing Denmark to export automobile parts to Poland if manufactured in the United States, while the Department of State and the Economic Cooperation Administration favored approving this re-export. (Memorandum of conversation, Secretary's Daily Meetings, Lot 58 D 609, August 1951)

it is out of the question for them to obtain any antibiotics for re-export to Poland. Cargo ships are on United States List I and International List II and will be taken up in September in COCOM for List I consideration. Danish shipyards are booked far in advance for essential West European shipping, but it is possible that if the Danes had no alternative they would agree to further ship deliveries to Poland in exchange for coal. It is known that the Danes have been considering the sale of some old cargo vessels which the Poles are apparently interested in obtaining.

3. This leaves only automotive spare parts as an item with which the Danes might bargain for Polish coal. Danish subsidiaries of General Motors and Ford Motors have for many years been exporting about a million dollars' worth of spare parts annually to Poland. However, the Danes did not fulfill their deliveries under the 1949–1950 agreement and acquired a deficit of $342,000. Furthermore, no automotive parts have been delivered under the 1950–1951 agreement of the $983,000 agreed to. As a result, the Poles have cut their monthly coal deliveries by 50 percent, and it is estimated that when this agreement comes to an end on September 30, there will be a shortfall of approximately 600,000 tons valued at approximately $14 million. Automotive parts are on U.S. II–B and on no International List. Passenger cars and trucks of 5 tons and under are not on the I–A, II–B, or any of the International Lists (or even on the United States Positive List). General Motors and the Danish Embassy have informed ECA that these parts are going into Chevrolet and Buick cars and Chevrolet and GMC trucks under 5 tons. The principle of giving security ratings to spare parts is that spare parts used in I–A or II–B items should be controlled so as not to defeat the purpose of controlling the end item. Since the end items in this case are on neither the I–A or II–B list, it is logical that these spare parts, though rated II–B as a category, should assume a lower rating.

4. After the war, through UNRRA, Poland did receive some heavy-duty trucks over 5 tons but none of these were made by Chevrolet or GMC. ECA has been informed by the General Motors Washington representative that the spare parts for small Chevrolet and GMC trucks are tooled in such a way as not to be interchangeable with the spare parts for large trucks. The General Motors representative did point out that if the right kind of equipment were available, it is possible to make over spare parts for almost any make of car or truck, but this is a difficult and expensive job. It is the opinion of the General Motors and Ford Motors representatives that these parts will definitely be used for the cars and trucks that have reached Poland from their various subsidiaries in Europe.

5. Since the end items in this case are not on either of the United States lists or the International lists, it is apparent that no major

security protection could be obtained by withholding these licenses. The Poles are perfectly free to go into the European market today and buy as many Fiat, Renault, or other brands of cars and trucks under 5 tons as they please. The fact that they bought a total of only $6-½ million worth of automobiles, small trucks, and parts from Western Europe last year is somewhat indicative of their relative demand for these goods which are readily available without export restriction. During 1950, trade in automobiles, trucks, engines, and spare parts between Eastern Europe and Western Europe was a two-way street. Western Europe exported approximately $14 million in these categories and imported $11-¼ million. Czechoslovakia is an important manufacturer of automotive vehicles and parts and could readily replace the Polish requirements if the Poles were forced to scrap their present Ford and Chevrolet passenger cars and small trucks.

6. The Danish Government has asked the United States to agree to the licensing of the $210,000 worth of General Motors parts currently before the Department of Commerce, and to indicate a willingness to grant licenses for the remaining parts which are in arrears, if and when orders can be placed for such parts. This is a matter of urgency, because the Danes must have their answer prior to negotiations starting late this month. The Danes state that a favorable decision on our part would greatly strengthen their bargaining position in the coming negotiations. This view is confirmed by the United States Embassy in Copenhagen. The Danes estimate as a minimum that a favorable decision relative to the licensing of these parts would enable them to press the Poles to make up the 600,000-ton shortfall and would probably enable them to get the Poles to continue coal deliveries through next year at least at present rates of something over 100,000 tons a month. The Danes have given us in writing their assurance that deliveries of any spare parts to Poland would be phased in such a way as to ensure the maximum *quid pro quo* of coal.

7. If we do not give favorable consideration to the licensing of automotive parts, it appears that the only Danish alternative is to make available several additional ships. If, as is possible, the Danes cannot contract for any additional ships, the only other alternative would be for the United States to divert coal currently being sent to other NATO countries badly needed for their war production, or to divert coal from Austria—which is in an even more precarious position than Denmark. At the present time the Austrians are being pressed by the Poles to ship under their trade agreement with Poland a substantial quantity of embargo-type ball bearings. If the United States were to cut back on its coal deliveries to Austria, it is almost certain that shipments of major strategic importance from Austria to Poland would have to be increased.

8. Favorable action on the case of automotive spare parts for Denmark is particularly important in the light of Denmark's delicate relationship to the Paris Coordinating Committee and the NATO. Denmark is particularly representative of the European desire to continue to the maximum extent possible traditional commercial relationships with the Soviet Bloc and to avoid any activities which might be interpreted as engaging in open economic warfare. This is partially the result of Denmark's exposed geographical position and proximity to neutral Sweden. Thus Denmark has participated in the security trade control program but has within recent months been particularly outspoken with respect to the limitations which the Danes feel should be imposed upon such security control activities. The same reservations have been expressed in the NATO negotiations concerning the treatment of commodities essential for Western defense which at the same time are in short supply within the free world. During the recent negotiations in Paris whereby a large number of U.S. I–A items were added to the International Embargo List, it was extremely difficult to persuade Denmark to extend the scope of the International Embargo List. It was only after a special trip to Copenhagen on the part of the head of the United States Delegation that the Danes were persuaded to join with the other countries in the Coordinating Committee in adding the new items to the International List. If after this difficult negotiation, the Danes were to be confronted by an action on the part of the United States Government preventing export to Denmark of an item not on the International Lists with possible serious repercussions upon the Danish source of coal in Poland, the Danes would be justified in questioning the usefulness of an inter-governmental forum for the discussion of trade control matters. Such an action by the United States would appear as a unilateral effort to impose its own interpretation of the form of trade controls which should be observed by the Danish Government. It would be judged by the Danes in the light of previous insistence on our part that Denmark prevent the export of ships to Poland and might lead them to question the good faith of the United States in arriving at multilateral agreements within the Coordinating Committee framework. It is not too much to predict that such an action might lead to the withdrawal of Denmark from the Paris group.

9. The illustrative ECA allotment for Denmark in the fiscal year 1952 is $50 million. Of this amount, $35,800,000 has been earmarked for coal and coal transportation and $9 million in PA's has already been allotted. Cuts in the economic aid portion of the Mutual Security Program by the House would indicate a probability that ECA will not be able to provide Denmark with the required amount of assistance for replacing Polish coal.

PROJECTED DANISH COAL SITUATION, DECEMBER 1951

| *Imports from:* | *1951 Metric tons* | |
|---|---|---|
| United Kingdom | 800, 000 | |
| Western Germany | 192, 000 | |
| S. Africa and India | 200, 000 | |
| France and Saar | 150, 000 | |
| Unallocated | 175, 000 | |
| Poland | 1, 517, 000 | |
| | 1, 215, 000 | (Projected at the present rate through September 30, 1951) |
| | 2, 732, 000 | |
| United States | 800, 000 | (Includes total 1951 PA's) |
| | 3, 532, 000 | |
| 1951 Danish Requirement | 4, 200, 000 | |
| | 670, 000 | tons shortfall |

This seems to be the minimum threatened shortfall by the end of 1951. The tightened British supply situation, strikes on the railroads in South Africa, and the present inadequacy of unallotted coal supplies make this estimate appear optimistic.

10. The Danish coal situation, despite ECA efforts, has become critical in the past few months and, without further United States action in the near future, promises to worsen by winter. The crux of the situation is that the coal promised to the Danes from all sources has not materialized in sufficient quantities to guarantee them adequate supplies for the winter months. The shortfall is due primarily to the needs of growing Danish industry and the severe cutbacks in deliveries from a regular supplier, Poland. The prewar Danish industrial economy consumed an average of about 4,000,000 tons annually. The requirements for 1951—4,200,000 tons—have not increased appreciably over these years, although Danish industrial production has increased over 50 percent in these same years. In order to limit demands upon coal supplies Denmark has reinstituted her rationing scheme and has already undertaken, as part of her duty as a NATO country, to cut back her production of consumer goods by 5 percent. Furthermore, 200,000 tons of this amount is for the essential stock buildup necessary before December 1, 1951, when winter conditions will prohibit extensive supply and distribution.

11. Denmark must import all supplies of coal. Danish domestic production of second-grade fuels, peat, and lignite has increased 200 percent over last year, but 3 tons of these uneconomic fuels supplant

only one ton of coal. The diversion of further labor to this costly production, particularly when there is full employment in Denmark, could only be undertaken at serious cost to the Danish economy. The shortage of coal in Western Europe has caused Denmark to be heavily dependent upon Polish coal. The United Kingdom and Germany have not produced coal in sufficient quantities to maintain their prewar rate of exports to Denmark, and Poland supplied 1,611,000 tons in 1950 and agreed to 2,000,000 tons for 1951. This latter amount is valued at $50,000,000 and constitutes about half of the Danish requirements.

CONCLUSION

12. The National Security Council should urgently recommend that the President authorize the Secretary of State to give the Danish Government the assurances which they have requested and the Secretary of Commerce to grant the license application for $210,250 and further licenses in the amount of $1,132,000 when and if such applications are made by General Motors or Ford Motors.

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S/S–NSC Files, Lot 63 D 351, NSC 104–Memoranda

*Memorandum by the Deputy Assistant Secretary of State for Economic Affairs (Linder) to the Secretary of State* [1]

SECRET [WASHINGTON,] August 28, 1951.

Subject: Export of Automotive Parts via Denmark for Poland

*Problem:*

Denmark remains committed under 1949–1950 and 1950–1951 trade agreements to export to Poland $1,342,000 of United States manufactured automotive and light truck parts, which have not been delivered because the United States has not approved necessary export licenses. Poland has made the continued delivery of coal to Denmark directly contingent upon the delivery of automotive spare parts by Denmark. The Danes have requested from the United States approval of a General Motors application for $210,250 currently pending in the Department of Commerce and an assurance that if orders can be placed by Denmark in the United States for the remaining parts, licenses will be granted.

*Discussion:*

If this case were considered strictly on its economic and strategic merits, it would be clear that the approval of automotive parts by the United States would be in the national interest for the following reasons:

1. Automotive and light truck parts are on neither the international embargo list nor the international quantitative control list. They are

[1] Drafted by Wright.

on the United States list of items of secondary strategic significance (the United States II B List). Passenger cars and light trucks of 5 tons and under, in which such parts would be used, are not on the international lists nor even on the United States Positive List.

2. These parts are for the servicing of vehicles already in Poland which have reached that country from the General Motors and Ford subsidiaries in Europe. The General Motors Company has stated that the light truck parts in question are not directly interchangeable with spare parts for heavy trucks.

3. The shortage of coal in Western Europe has caused Denmark to be heavily dependent upon Polish coal. Of Denmark's total coal requirements of 4,200,000 tons for 1951, 2,000,000 tons were scheduled for delivery by Poland, the remainder from the United States, the United Kingdom and other Western sources. As a result of a 50 percent cut in monthly coal deliveries from Poland, there will be a shortfall in Denmark of over 600,000 tons by the end of 1951. There is no prospect of making up this shortfall from the United States or other Western sources prior to the end of the year.

4. Inability of Denmark to provide automotive parts may lead to renewed Polish pressure for delivery of cargo vessels, which are of greater strategic importance than parts and appear on the United States embargo list.

5. The Danes have in the past obtained parts from the United States which were in turn shipped to Poland under agreements for delivery of coal. In 1948 the United States exported $693,271 of replacement parts to Denmark and in 1949, $1,877,076. The Danes entered into their commitment for delivery of parts in the 1950–1951 agreement reluctantly and in the hope that they might be able to avoid delivery of the parts.

6. This case is the type which was provided for in NSC 104/2 [2] (United States Policies and Programs in the Economic Field which may Affect the War Potential of the Soviet Bloc). Paragraph 6 *a* of NSC 104/2 provides that United States export licenses for Western European countries should be denied "only if the effectiveness of such action in reducing export of the items from the Coordinating Committee country to the Soviet bloc would be of greater significance to the security interests of the United States than the significance of the adverse effects of the denial upon the Coordinating Committee country concerned". NSC 104/2 provides further that in considering the adverse effects on Western Europe of denial of United States licenses, the United States should consider "the need for strengthening the Western European economy and defense program, and the need for maintaining the cooperation of Western European governments in the common defense effort".

7. Action to deny parts to Denmark without any prospect of providing substitute supplies of coal would jeopardize continued Danish cooperation in the Paris Coordinating Committee and in the North Atlantic Treaty Organization.

The discussion of this case in the Senior Staff of the National Security Council indicated quite clearly, however, that the crucial consideration is not the economic necessity of Denmark nor the high strategic

[2] April 4, p. 1059.

importance of the automotive parts to Poland. The crucial consideration is the domestic political situation.

Neither the Commerce nor Defense Departments is prepared to permit the export of automotive parts from the United States to Poland via Denmark since the United States would not at present permit the export directly from the United States to Poland of such parts. This attitude of course completely ignores the relative advantage to Denmark resulting from receipt of coal and other products from Poland.

The Defense Department is also apprehensive that public knowledge of the approval of parts in this transaction would reflect unfavorably on the chances of the Battle Bill. However, one of the advantages of the Battle Bill over the Kem Amendment is the recognition of need for flexibility to permit transactions between East and West when there is net advantage to the West.

Thus, the Defense and Commerce Departments believe that discussion of the case in the National Security Council and approval by the President of any action to permit the export of automotive parts to Denmark is necessary prior to action by the Secretary of Commerce.

*Recommendation:*

It is recommended that the "Conclusion" of the Report [3] on Export of Automotive Parts via Denmark for Poland be supported. It is believed that the point to be emphasized in support of this position is the fact that the net advantage in terms of economic benefit and of continued defense cooperation by Denmark favors approval of the transaction, and that NSC 104/2 was intended to provide sufficient licensing flexibility to permit approval of such exceptional cases as this one. It should be made clear that in giving assurance to the Danes of willingness to permit the approval of the full quantity of parts, the Department would emphasize that the Danes should deliver such parts to Poland in the minimum quantities consistent with assuring continued deliveries of coal.[4]

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[3] *Supra.*

[4] At the 101st Meeting of the National Security Council on August 29, the report and its recommendation (*supra*) were presented to the President and the issues involved were discussed. The President decided to authorize the Secretary of State to give the Danish Government assurances regarding the export of automobile parts which it requested and to instruct the Secretary of Commerce to grant the license application for $210,250 and further licenses in the amount of $1,132,000 when and if such applications are made by General Motors or Ford Motors. The Secretaries of Commerce and the Treasury, the Administrator for Economic Cooperation, and the Director of Defense Mobilization joined the Council in their discussion of this subject. (NSC Record of Action 540, August 29; S/S–NSC Files, Lot 66 D 95, Record of Actions–1951)

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*Editorial Note*

A Special Subcommittee of the House Foreign Affairs Committee, chaired by Laurie C. Battle of Alabama, held executive hearings be-

ginning in March regarding various export control bills proposed in Congress. As a result of these hearings, the Special Subcommittee formulated an Export Controls Bill (H.R. 4550) which was approved by the House Foreign Affairs Committee on July 16 and referred to the Committee of the Whole House along with House Report No. 703 that same day. On August 2 H.R. 4550 was discussed in the House of Representatives and was unanimously approved. For a record of the discussion concerning H.R. 4550, see the *Congressional Record*, vol. 97, pt. 7, pages 9434–9446.

On August 16 the Senate Foreign Relations Committee issued Senate Report No. 698 in which it stated its recommendation that H.R. 4550 be approved. Following heated debate in the Senate on August 27 and 28, H.R. 4550 was approved by a final vote of 55 in favor and 16 opposed, with 25 Senators not voting. For a record of the debates in the Senate, see *ibid.*, pt. 8, pages 10661–10678, 10700–10715, and 10718–10746. H.R. 4550, the Mutual Defense Assistance Control Act of 1951 (Public Law 213), was subsequently referred to President Truman for his signature which was given on October 26. H.R. 4550, commonly known as the Battle Act, superseded the export controls policy stated in the Kem Amendment which was passed by both houses of Congress on May 21. For information concerning the Kem Amendment, see the editorial note, page 1073.

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459.119/9–651

*The Acting Secretary of Defense (Lovett) to the Administrator of the Economic Cooperation Administration (Foster)* [1]

TOP SECRET WASHINGTON, September 6, 1951.

DEAR MR. FOSTER: I believe that you are aware of the deep concern which the Department of Defense feels with respect to the proposed shipment of United States automotive parts to Denmark for Poland. It is my understanding that the decision at the August 29 meeting of the National Security Council [2] authorized the Department of State to direct, as a last resort measure, the issuances of appropriate export licenses.

A careful study indicates that United States coal can be furnished to the Danes to the extent required. This conclusion is borne out by studies made by your Administration and inter-agency working groups. A letter from your Administration to the Executive Secretary, National Security Council, dated August 28, 1951, shows that 670,000 tons of coal would be only .67 days supply inventories for Western European countries. The only real problem is that of financing.

[1] Attached to the source text was a covering letter in which Lovett explained that he was sending Matthews a copy of his letter to Foster for Matthews' information and to gain his support for the recommendation contained in the source text.

[2] See footnote 4, p. 1176.

Such financing arrangements would involve three related periods. The first of these would require the short fall of 670,000 tons at an approximate cost of $15 million for the balance of this calendar year. The second and third, based upon the Danish estimate of 100,000 tons per month for the calendar year 1952, would involve approximately $14 million for each half year. The first of these is the last half of the fiscal year 1952; the second, is the first half of the fiscal year 1953. Thus from the 1952 fiscal year funds, $29 million would be required and $14 million would be required from fiscal year 1953 funds.

Such financing arrangements must be provided so that the United States Government is in a position to assure the Danes that they have an alternate source of coal. The Department of Defense feels that if the Danes could be assured of such an alternate source of supply for their coal requirements, they would be in a position to negotiate a favorable trade agreement with the Poles. Such assurances and resultant trade agreement would in turn make unnecessary the expenditure of all such funds.

Without doubt, the Poles recognize their present advantageous bargaining position in East-West trade by virtue of their coal resources. The time has arrived for counter measures in order to avoid the Soviet Bloc's expanding economic offensive. It is believed that it is important that the Poles should not be successful in this case as this is a part of the Bloc's offensive to obtain highly important strategic deficits.

The furnishing of economic funds to make possible the availability of coal would in this case support the defense effort and at the same time provide an effective counter measure to the Soviet Bloc's economic offensive. It is recommended that ECA financing be utilized to make possible such an alternate coal source available to Denmark.

Sincerely yours, ROBERT A. LOVETT

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S/P–NSC Files, Lot 61 D 167, Public Law 45–NSC Determinations

*Memorandum by the Special Assistant to the Counselor of the Department of State (Walmsley) to the Counselor (Bohlen)*

TOP SECRET WASHINGTON, September 11, 1951.

Subject: Kem Amendment Determinations Scheduled for the Council on September 12

The following notes may be helpful to you in connection with the Senior Staff meeting this afternoon preparatory to the Council meeting tomorrow.[1]

[1] No record of the NSC Senior Staff meeting on September 11 was found in Department of State files; for information concerning the National Security Council meeting of September 12, during which NSC Determinations 18 and 19 were approved along with a report on Sweden's trade with the Soviet bloc, see the report by the National Security Council, October 23, p. 1203.

Mr. Gleason told me this morning that the President had expressed a wish for some sort of legal views from a permanent agency to help him in his consideration of the time factor involved in the NSC determinations under the Kem Amendment. The ECA lawyers, Gleason said, have been busy in this connection but we have not. I have put this matter up to Linder and Vernon,[2] and have called Cardozo of L/E in the hope of having something ready either for this afternoon or in time for briefing the Under Secretary tomorrow morning.

Herewith are the results of a hurried canvass of the Senior Staff:

1. Mitchell[3] will possibly make some comment about the general attitude of the Executive Branch, which he deplores, toward the Kem Amendment provisions; that is, that we have seized upon the negative provision of exceptions in all cases whereas the legislation is of a positive nature. I doubt however that this will lead him to making any constructive contribution to our consideration of the problem. Mitchell may also ask for some information regarding the magnitude of U.S. assistance to Germany and the NATO countries in fiscal '51 and that projected or requested of Congress in fiscal '52, to round out the rather general statements now appearing in the draft determinations on Germany and NATO countries. I should have some figures for you to give Mitchell if he asks for them.

2. Glendinning[4] of Treasury says that he will be pretty much guided by the State Department views. He believes that the matter of the timing is one which the President will have to decide. He personally favored the broadest interpretation of the time factor as a practical matter, but confesses that he is no judge of Congressional temper and reactions.

3. General Roberts[5] of Mr. Harriman's office seems impressed by the reports of their East-West Trade Committee man who has been in touch with Battle, and who reports that Battle is worried over the effects on his bill if we give the opposition the chance of accusing us of never having in good faith endeavored to carry out the Kem Amendment. Roberts' position will probably be that we should continue the exercises of making determinations as heretofore without attracting attention to the NATO paper by trying to keep it classified. He believes that this is a practical matter which the President will have to decide for himself and that we should not try to prejudge for him.

4. I have been unable to reach the Defense Senior Member and Alternate Member but I surmise that Defense will stoutly support maintenance of the classification of the NATO paper in case it should be forwarded to the Committees of Congress at this time. I should not be surprised if the Defense Representative injects the Polish-Danish matter. As I believe you know, Mr. Lovett ten days ago expressed some strong views to Mr. Matthews on the validity of the statements and evidence on which the Danish matter was judged,

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[2] Raymond Vernon of the Office of Economic Defense and Trade Policy.

[3] J. Murray Mitchell, Assistant to the Director of the Office of Defense Mobilization.

[4] Charles D. Glendinning.

[5] Brig. Gen. Frank N. Roberts.

and whereas there has not been a request on the part of Defense for Council reexamination of the case, it may well be that Defense will use the Senior Staff to re-express its reservations and distaste.

5. Mr. Jacobus [6] of NSRB had nothing to contribute when I called him.

6. The JCS have no particular concern with the Kem Amendment determinations.

WALTER N. WALMSLEY, JR.

[6] Gilbert C. Jacobus.

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S/S–NSC Files, Lot 63 D 351, NSC 104–Memoranda

*Memorandum by the Deputy Assistant Secretary of State for Economic Affairs (Linder) to the Under Secretary of State (Webb)*[1]

TOP SECRET [WASHINGTON,] September 11, 1951.

Subject: Attached Letter from Mr. Lovett to Mr. Foster:[2] Export of U.S. Automotive Parts via Denmark for Poland

*Problem:*

1. Mr. Lovett in his letter of September 6, 1951 to Mr. Foster (Tab A) proposes, in effect, that for domestic political reasons some means be found to make unnecessary implementation of the National Security Council's decision No. 540 of August 29.[3] This decision by the President authorized (*a*) the Department of State to give assurances to Denmark that the United States was prepared to authorize the export of automotive parts for Danish re-export to Poland in exchange for coal and (*b*) the Department of Commerce to issue the necessary export licenses. The timing of these actions would be determined jointly by the Secretaries of State and Commerce. The Danes have been informed that this question has been placed on a 24 hour action basis within the government.

2. Senator Kem has received information from an anonymous source regarding the proposed action and has asked the Department of Commerce for a report on the matter.

*Discussion:*

1. Background information on the Danish auto parts case can be found in the attached memorandum to the Secretary dated August 28, the Report to the Council on the case, and the Record of Action taken by the Council on August 29 (Tab B).[4]

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[1] Drafted by Coster and Wright.

[2] The letter by Lovett was not attached to the source text as Tab A, but see p. 1177.

[3] For a summary of NSC Action 540, see footnote 4, p. 1176.

[4] The three documents referred to here were not attached to the source text as Tab B. For information concerning the NSC Action, see *ibid.*; for the memorandum to the Secretary of August 28, see p. 1174; and, for the report to the National Security Council, see p. 1169.

2. As for the merits of the Defense Department proposal, there is no question but that the shipment of U.S. auto parts to Poland with the permission of the United States Government might be exploited as a domestic political issue. At the same time, the solution proposed by Defense is not as simple or satisfactory as would appear on the surface. Among possible complications, the following are especially important:

*a. Financing:* It is not strictly accurate to say that financing is the only real problem, although it is a major problem. ECA claims that it is not in a position to finance the additional coal which Denmark would require from the United States should deliveries from Poland not be resumed, particularly in view of the recent cut in funds available for economic assistance. Defense has indicated informally, however, that it could finance out of funds available to it the necessary shipments of U.S. coal.

Moreover, it appears that Defense has underestimated the magnitude of the financing problem. Defense in making its financing estimate has dealt with only 670,000 tons ($15 million) for the remainder of 1951 and only 1,200,000 tons ($28 million) for 1952. If deliveries from Poland were not resumed, there would be an amount of 670,000 tons of coal for the remainder of 1951 and 2,670,000 tons of coal ($62 million) for the year 1952 which would have to be supplied by the U.S.

*b. Shipping:* By giving top priority to shipments of coal to Denmark, it would be possible to make sufficient shipping available to take care of Denmark's most urgent requirements for coal before winter. However, the diversion of sufficient shipping for this purpose would be at the expense of other equally urgent needs in Western Europe, including shipment of U.S. coal to Austria.

*c. Effect on Danish Economy:* Failure by the United States to supply the auto parts may result in a complete collapse of the current Danish-Polish trade agreement negotiations; this would have an adverse effect on those industries which have been engaged in exporting to Poland, particularly the textile and manufactured products industries. Alternatively, in order to conclude a new trade agreement with Poland, Denmark may be forced to include delivery of additional cargo vessels which the Soviet bloc is known to desire urgently and which the United States regards as of greater strategic importance than auto parts.

*d. Effect on Danish Cooperation in Mutual Defense Effort:* Unilateral action by the United States which might result in a serious curtailment of Denmark's traditional trade with Poland and which thereby might place Denmark in a position of even greater dependence upon grant assistance from the United States would put under further strain Denmark's delicate relationships to the Paris Coordinating Committee and the NATO. This is especially true in view of our previous insistence that Denmark prevent the export of ships to Poland and our recent successful effort to persuade Denmark to agree to a considerable extension of the International Embargo List and to agree in NATO with the U.S. proposal to embargo shipment to Soviet bloc of raw material in short supply and urgently needed for Western defense purposes.

3. There are other instances in East-West trade negotiations in which from the standpoint of U.S. national security we might wish to replace Polish coal in order to prevent the export of commodities of higher strategic importance than auto parts to the Soviet Bloc. If a maximum effort has been made to meet the Danish case, it might limit our ability to deal with other urgent situations which will continue to arise.

*Recommendations:*

It is recommended that in any discussion of this problem with Mr. Lovett you take a non-committal position on behalf of the Department pending further exploration of the possibilities by ECA and Defense.

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Conference Files, Lot 59 D 95,[1] CF 99

*United States Minutes of the Second Meeting of the United States–United Kingdom Foreign Ministers in Washington on September 11, 1951, 10:30 a. m.*[2]

[Extract][3]

SECRET

[U.S.–U.K. MIN–2]

| Participants: | *United States* | *United Kingdom* |
|---|---|---|
| | Mr. Acheson | Mr. Morrison |
| | Mr. Harriman | Sir Oliver Franks |
| | Mr. Gifford | Sir Pierson Dixon[4] |
| | Mr. Jessup | Lt. Gen. Sir K. MacLean[5] |
| | [Mr. Linder] | Mr. R. H. Scott[6] |
| | | Mr. Gaitskell[7] |
| | | Sir Leslie Rowan[8] |

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[1] Collection of documentation of official visits by heads of government and Foreign Ministers to the United States and on major international conferences attended by the Secretary of State for the period 1949–1955, as maintained by the Executive Secretariat of the Department of State.

[2] For documentation concerning the Bipartite and Tripartite Foreign Ministers Meetings which took place in Washington September 10–14, see vol. III, pp. 1163 ff. The Foreign Ministers of the United States, the United Kingdom, and France met for bipartite talks September 10–12 followed by two days of tripartite conversations. The only formal conversation dealing with the matter of East-West trade is documented in the source text.

[3] For the complete text of these minutes, see *ibid.*, p. 1238. The conversation preceding the discussion of East-West trade concerned United States-British alignment in the Far East.

[4] British Deputy Under Secretary of State for Foreign Affairs.

[5] Chief Staff Officer in the British Ministry of Defense.

[6] British Assistant Under Secretary of State for Foreign Affairs.

[7] Chancellor of the Exchequer.

[8] Second Secretary in the British Treasury.

*East-West Trade*

16. Mr. Morrison introduced Mr. Gaitskell, Chancellor of the Exchequer, in order that Mr. Gaitskell might discuss a number of economic problems related to the agenda item on East-West trade.

17. Mr. Gaitskell said he had had discussions with a number of people in the US Government and he thought it appropriate for him to describe the situation now existing in the UK within the context of the meetings between the Foreign Ministers. The UK imported two vital commodities from the USSR, timber and grain. Every year negotiations between the two countries reached a critical point when the British wondered whether they would get a trade agreement for the ensuing year. These commodities were vital to the economy of the UK yet, if the items which the Soviets could buy for sterling were severely limited there was always the possibility that they would not wish to accumulate additional sterling, and terminate the agreements. The British were now in debt under the current agreement for a considerable amount because restrictions had been placed on the export of rubber to the USSR, but that quantities of timber and grain had been imported at the very high prices now prevailing in the world market. This deficit was continuing to grow. He felt that he might just as well say plainly that the UK is now in the beginning of a very serious dollar crisis. On October 4 he would have to report to Parliament on the sterling-dollar situation. He would have to say that a deficit of nearly $500 million in the dollar account was projected for the years 1951–52; the over-all deficit including the sterling area would be approximately $1.2 billion. This was approximately the amount which the UK had gained as surplus in the previous year. By the end of fiscal year 1952 British reserves would be reduced to the equivalent of approximately $2 billion which was almost the same as the low point reached prior to the devaluation of the pound. The reasons for this situation were that there was more purchasing by sterling area countries from the dollar area. Defense production, and the high prices of raw materials were contributing factors. In 1950 the British Treasury thought it had solved the dollar deficit problem and were able to dominate the situation. This they now found was not so. The situation held a potential of very serious political consequences if the Government was unable to cope with it.

18. Mr. Gaitskell thought this was a European problem and not entirely one for the UK. Europe was now getting back to the pre-Marshall aid situation as a result of the new factor—world rearmament—which had been introduced into the total picture. With regard to East-West trade within the context of NATO he believed that other members would feel the same way as the UK. The USSR and satellite areas would have goods available which the US might not be able to supply and which some of the European countries would not have

the dollars to buy even if available. Serious repercussions were apt to occur in the defense programs. However, the defense program was not the major cause of the situation but most people in Europe will think so. The pressure within the UK will be particularly noticeable since the balance of payments figures will be unfavorable yet exports will have been sacrificed to defense. This in fact has been British Treasury policy up to now; the UK cannot continue to do it. With regard to military requirements as scheduled under the NATO he felt that there would be confusion and unpleasantness unless the economic realities of the European economic versus military situation were met squarely. There has never been in NATO a bringing together of these two. As things are going, Europe would have to adopt a war economy to go on. He felt it was highly desirable to discuss this problem among the Big Three before the question was taken to the full Council.

19. Mr. Morrison said that he felt he must explain the difference in approach of the UK as contrasted to the US. Exports and imports were vital to the livelihood of the UK. Now the UK had to live and carry out a rearmament program. The US was self-contained and only a small part of its production was related to overseas trade. It was much harder for the UK to say "no" to the Soviet Bloc on trading questions. As a matter of policy the UK also felt that "the Soviets may change their tune". The UK was principally interested in exchanging with the USSR not war materials but economic goods. They had found the Soviets very business-like to deal with and that they generally stuck with their bargains. It was not bad to have contact with them through this channel from a foreign policy point of view. The UK could not carry out a control policy to the point where it was not harming USSR but was really hurting the UK—i.e., the UK would be cutting off its nose to spite its face. It was good to make these general observations because he thought it made the UK position better understood.

20. Mr. Acheson asked Mr. Gaitskell if the UK could live with its present trading agreement and did not desire to go further. Mr. Gaitskell said that they could live with the present agreement; however, the Soviets can cut it off at any time if they can't spend their sterling and that if this happened it would cause a large additional dollar liability for the UK.

21. Mr. Morrison remarked that conditions placed by the US Congress on aid in relation to the East-West trade problem were extremely annoying. He recognized that this did not reflect a State Department point of view and remarked that the Executive Branch could not control the Congress the way the Cabinet controlled the Parliament. He said that such conditions make the British people angry.

22. Mr. Acheson said that we disliked the procedure and that the President had stated his dislike to the Congress. One problem which we face is our inability to tell the Congress and the people what has been done in the field of controlling strategic exports to the Soviet area because this information is classified. Congress has the feeling that nothing has been done and actually we know that a great deal has been accomplished. The Kem Amendment could not be vetoed by the President because it was a rider on an important military appropriation. However, we feel the situation is somewhat improved—we feel that we have prevented even stronger legislation. In reply to a question by Mr. Gaitskell as to whether the Battle Bill was all right Mr. Linder said that we regarded it in a favorable light and hoped to get together on the remaining twenty items of the controls list. He said that if a good administrator was appointed and if the US and UK could reach an agreement regarding some further items the situation would not be too bad. He pointed out, however, that we would be faced with the problem of the matter becoming alive from time to time because we would be required to make periodic reports to Congress. He hoped that we could make our primary strategic lists coincide and that this would be extremely helpful. Mr. Gaitskell said that he thought we could not avoid the fact that there would be continuing difficulties. For instance, he understood that public opinion in the US was very sensitive regarding the question of rubber which was one of the primary products which the UK had available for export and which the Soviets desired to purchase. Mr. Linder said that we desired to have further bilateral discussions on such questions; that we have given some education to the public and are hopeful that we can reach an agreed position. Mr. Gaitskell said he hoped we were not too optimistic regarding the twenty items. Mr. Morrison interjected that the UK had gone "a devil of a long way." Mr. Linder said it was highly desirable to get a few more items included.

23. Mr. Acheson inquired whether the proposed administrator is to be a full-time man or someone who has other responsibilities elsewhere in the defense production set-up. Mr. Linder said that the House and Senate bills differ on this point and the matter will have to be resolved in conference. Mr. Morrison inquired if the responsibility might rest in the State Department. Mr. Acheson replied that that would be the last place they would consider placing it. Mr. Gaitskell said he wanted to state that the UK appreciated very much the assistance which had been provided by the US and that he understood some of our present problems in regard to this matter of trading with the communists. However, he felt that he must make it clear that the UK "was up against it."

[Here follows a discussion of the British rearmament program and its effect on the economy. The last part of this meeting was devoted to making arrangements for a future meeting on this subject.]

S/S–NSC Files, Lot 63 D 351, NSC 104–Progress Reports

*Memorandum by the Acting Secretary of State to the Executive Secretary of the National Security Council (Lay)*

SECRET WASHINGTON, September 21, 1951.

Subject: Second Progress Report on NSC 104/2,[1] "U.S. Policies and Programs in the Economic Field Which May Affect the War Potential of the Soviet Bloc"

NSC 104/2 was approved as Governmental policy on April 12, 1951. It is requested that this Progress Report (covering the quarter ended August 15, 1951) be circulated to the members of the Council for their information.

*Export Controls*

1. *Prohibition of all Exports to Communist China, Manchuria and North Korea*

Since the submission of the first progress report,[2] a general license designated G/PUB has authorized exportation to all destinations except North Korea, of the following publications, provided the publications do not contain technical data:

Motion picture films, developed
Books, bound, text, educational
Bibles and testaments
Books, bound, other
Books, unbound, in sheets
Catalogs and pamphlets
Music in books and sheets
Newspapers, current
Periodicals, current
Calendars, printed or unprinted

2. *Export Licensing of all United States Shipments to the USSR and Eastern European Satellites*

The only new development in licensing shipments to the European Soviet bloc concerns technical data. A validated export license shall be required for the exportation, directly or indirectly, of technical data to Subgroup A destinations:

*a.* The Office of International Trade, Department of Commerce shall deny export license applications for the export of technical data to Communist China and North Korea.

*b.* The Office of International Trade shall deny to all other Subgroup A destinations applications received to export technical data which, in its opinion, would be of assistance to these countries,

(1) in the production of commodities contained on the United States Security Lists I, IA, II and IIB; or

[1] Dated April 4, p. 1059.
[2] Dated June 7, p. 1086.

(2) in significantly maintaining or expanding the short term or long term war potential of these countries through the production of commodities or facilities other than those included under (1), or through contributions to industrial or theoretical research; or

(3) in providing information of intelligence value, such as that included in maps or plant location and layout descriptions.

3. *Prohibition on Export of Armaments and Short Supply Items*

The United States continues to prohibit exports of all such items destined for the Soviet bloc, whether shipped directly or indirectly.

4. *United States Licensing Policy for Items Other than Armaments and Short Supply Items*

The provisions of Program Determination No. 502 of the Advisory Committee on Export Policy still apply.

5. *Strengthening Western European Security Controls*

The Consultative Group meetings, requested by the United States in an effort to obtain a tightening of existing security export controls on the part of participating countries, were concluded on August 3. In these discussions, and in the preliminary tripartite discussions, significant progress was made towards meeting the United States' desire (*a*) to eliminate the disparity between International List I and the United States list of items of primary strategic importance, (*b*) to clarify the conditions under which exceptions to the embargo rule may be justified, and (*c*) to tighten controls over items of secondary importance. Of the 53 items proposed by the United States for addition to List I, 34 were accepted by all participating countries. The 19 unagreed items were referred to the Coordinating Committee for further discussion in September. United States proposals on quantitative controls and on exceptions to the embargo rule were accepted by the group with minor changes.

Bilateral negotiations with Sweden and Switzerland have resulted recently in substantial progress towards solving the special problems presented by these two countries.

(See Appendix I for a more detailed report.) [3]

6. *Licensing United States Exports to Western Europe*

The provisions of Notices of Action 77.2 and 79.2 of the Advisory Committee on Export Policy are still being followed.

7. *German Controls*

The Federal Republic appears to be making satisfactory progress to ensure more effective controls over the illegal trade and transshipment of goods agreed for control in the Coordinating Committee. A revision of German export licensing procedure, conforming closely with United States recommendations, will be put into effect as soon as administrative arrangements can be made. As of August 15, *all* exports

[3] Appendix I, not printed, is a five-page summary entitled "Results of Recent Negotiations with Western European Countries."

to the Soviet bloc require approval by the Central Licensing Agency, which recently has doubled its staff. A federal ordinance has been issued providing for stricter control over interzonal trade and establishing a much firmer basis for prosecuting violators of interzonal trade regulations. Various other administrative arrangements have been made to employ effectively intelligence concerning illegal trading activities, to improve HICOM-German liaison in the general field of security export controls, and to preclude the benefits of United States assistance to firms guilty of illegal dealings with the bloc.

8. *Cooperation of American Republics*

On June 5 the Department of State instructed all United States missions in Latin America, except Bolivia and Guatemala, to initiate negotiations to determine the extent to which each government would proceed in developing effective controls prohibiting the export or transshipment of strategic and short supply materials to the Soviet bloc.

On June 14 and 15 the Ambassadors of all of the American Republics were called to the Department of State for briefing on the provisions of the Kem Amendment. The Ambassadors were asked to present the matter to their governments and to ascertain "(*a*) the date when controls could be made effective enough to serve as a basis for certification, and (*b*) what obstacles must be overcome."

Information received in the Department of State as of the date of this progress report showed that: (1) six of the Republics have certified in compliance with the provisions of the Amendment; (2) ten may certify; and (3) it will be necessary to seek exceptions for Uruguay, Brazil, Chile, and possibly some of the ten countries included in (2) above. In the case of Argentina no exception will be sought under the terms of the Kem Amendment.

The United States continues to urge and assist those countries in Latin America which have not adopted export controls parallel to those of the United States to take the necessary steps to institute such controls.

9. *International Controls on Exports to Communist China*[4]

On May 18, 1951 the General Assembly of the United Nations adopted a resolution recommending that every State (both Members and non-Members of the United Nations) apply an embargo on the shipment to Communist China and North Korea of arms, ammunition and implements of war, atomic energy materials, petroleum, transportation materials of strategic value, and items useful in the production of arms, ammunition, and implements of war. The Additional Measures Committee was requested by the resolution to report

[4] Documentation concerning United States policy with regard to restriction of trade with North Korea and Mainland China is presented in volume VII.

to the General Assembly on the general effectiveness of the embargo and the desirability of continuing, extending or relaxing it.

As of the date of this progress report, sixty countries had submitted reports or acknowledgements. Of these, forty-two are generally satisfactory. This category includes the principal Allies of the United States as well as China's principal non-Communist foreign sources of supply.

Consideration has been given in the United States Government to the status of the strategic embargo in the event of a cease fire or an armistice in Korea, and, alternatively, to measures to increase the effectiveness of the embargo and extend its scope if the Kaesong talks break down.

10. *International Allocation of Short Supply Materials*

Developments to date in the International Materials Conference have been consistent with the objective of denying or limiting shipment of short supply materials to the bloc. The international allocations which have been made (tungsten, molybdenum, sulphur and newsprint) do not include any provision for supplies to countries in the Soviet bloc. If allocation programs, now under active consideration, are developed for copper, zinc and wool, such programs are expected to conform fully with the objective of paragraph 10.

*Preclusive and Preemptive Operations* (Recommendations 11 and 12)

No opportunities have arisen warranting active consideration of the use of the preemptive device.

*Financial Measures*

13. *Blocking Controls*

There has been no determination that the point has been reached at which export controls have become so restrictive and other economic and political relations so curtailed that blocking of the dollars and dollar transactions of the USSR and its European satellites would be appropriate.

The Report to the Collective Measures Committee of the United Nations, of the Sub-Committee for the Study of Economic and Financial Measures, dated July 18, 1951, contains references to blocking controls, as well as the sterilization of gold resources (see Item 14 below), among the prohibitions which the United Nations might decide to recommend in the event of any future aggression by *any* country. This Report, therefore, is not focused on the Soviet bloc specifically. Papers regarding these measures were submitted by Treasury and considered by the Inter-Departmental Working Group on Economic Problems of the Collective Measures Committee as part of the development of a United States Government position for the guidance of our representative on the Sub-Committee.

549-782—79——76

14. *Sterilizing Gold*

Study has been given to the subject of gold with a view to evaluating the techniques and procedures for the coordination of international action in this field. A position paper on this subject was submitted by Treasury and considered by the Inter-Departmental Working Group on Economic Problems of the Collective Measures Committee of the United Nations (see Item 13 above). This study is not, however, focused specifically on the Soviet bloc, since it is designed for possible consideration in the event of any future aggression by *any* country.

*Blacklisting*

15. The establishment of a secret International Black List has recently been agreed upon in the Coordinating Committee. The participating countries are presently considering names of violators or suspected violators of export controls for inclusion on the list.

*Technology*

16. *Strengthening Plant Security*

The program for protecting critical industrial facilities, including technology, has been furthered through the establishment of the Facilities Protection Board. This Board will be responsible to the Interdepartmental Committee on Internal Security.

17. *Coordinating Committee Action*

Consideration of the United States program for "Security of Technical Information" is pending in the Coordinating Committee. This matter is on the Coordinating Committee agenda for October 2, at which time the other participating countries are expected to supply similar information on measures they have taken to deny the Soviet bloc technical data.

18. *Export Controls on Technology*

The Interdepartmental Committee on Internal Security has recommended to the Secretary of Commerce that an interim general license be issued to allow export to the Soviet bloc of technical publications generally available to the public. The Committee felt that prompt action was demanded to avoid retaliatory action by the USSR which would deprive the United States of Soviet published material of great value to our intelligence programs. The Committee's recommendation was made with the understanding that the interim general license would be a temporary expedient pending further study. The general license has been approved by the Secretary of Commerce and will be issued shortly.

*Shipping* (Recommendations 19 and 20)

In the quarter ended August 15 brief consideration was given in the Coordinating Committee to the problem of controls over chartering vessels to the Soviet bloc and of prohibiting the carriage of embargoed goods to the bloc in vessels of any participating country's registry.

The question of the Coordinating Committee's competence in this field was referred to the Consultative Group, which decided that the Coordinating Committee should give further consideration to these controls in September.

The United States has succeeded, in bilateral discussions, in securing the cooperation of a limited number of countries with regard to the adoption of chartering and carriage controls over vessels of their registry.

Air Traffic Controls: Relatively successful implementation of NSC 15/3 [5] has minimized the problem of air transport as related to the movement of embargoed goods to or within the Soviet bloc. The major development in this field since May 15, 1951 has been the termination of Czechoslovak and British air service between the United Kingdom and Praha. Further efforts are under way to terminate completely Czechoslovak air service to Western Europe. For further information on this subject reference may be made to the second progress report on NSC 15/3.

*Decreasing Reliance on Trade With the Soviet Bloc* (Recommendations 21, 22, and 23)

At the request of the Special Committee on East-West Trade, the Department of State has taken steps to develop immediately a program directed towards decreasing Western European economic reliance on the Soviet bloc. An interagency working group has been constituted for this purpose comprising representatives of the Economic Cooperation Administration, the Central Intelligence Agency, and the Departments of Commerce, Defense, and Treasury. At the first meeting of this group, on July 20, it was decided that it would be necessary to have certain ECA commodity studies in hand before proceeding to draw up a comprehensive program of action. These studies will deal individually with the most important commodities imported by the Free World from the Soviet bloc countries and the commodities exported to the Soviet bloc which are believed to pose the most serious problem of readjustment. A general paper on East-West trade will synthesize the findings of the various commodity studies, draw general conclusions as to the desirable level of East-West trade, and suggest policies which the United States should follow to maintain that level. These studies are scheduled for completion by the end of September.

(See Appendix II for a more detailed report.) [6]

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[5] Extracts of the text of NSC 15/3 of January 5, 1950, are printed in *Foreign Relations*, 1950, vol. IV, p. 1.

[6] Appendix II, not printed, is a brief summary of attempts to decrease reliance on trade with the Soviet bloc.

*Import Controls*

24. The need for controls on United States imports from the Soviet bloc in order to minimize dollar earnings of the bloc is not an immediate one.

Steps have been taken, nevertheless, which serve to reduce or eliminate these imports. Among these measures are the Foreign Assets Control Regulations (see Item 13 above), which effectively curtail imports of merchandise of Communist Chinese origin. A recent amendment to the regulations tightens the controls with regard to the importation of goods originating in Communist China but processed in other countries. At the request of the Secretary of Defense, importations of a few articles of strategic importance have been authorized. Also the Trade Agreements Extension Act of 1951 (Public Law 50, 82nd Congress, 1st Session) requires the withdrawal of United States tariff concessions from Communist-controlled countries, thereby reducing such imports to the extent that they will be impeded by increased duties.[7]

JAMES E. WEBB

[7] The National Security Council noted the source text at its 107th Meeting on November 28. (NSC Record of Action 582, November 28; S/S–NSC Files, Lot 66 D 95, Record of Actions–1951)

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460.509/9–2751 : Telegram

*The Secretary of State to the Embassy in France* [1]

SECRET WASHINGTON, September 27, 1951—8 p. m.

1849. Excon. During course brief discussions East-West trade at NATO Council mtg Ottawa,[2] Secy made gen explanatory statement of US policy reaffirming US belief that policy of selective embargo was the correct one in present circumstances and that continued multilateral approach to problem highly desirable. Secy also referred to current discussions in COCOM and expressed hope that progress cld be made in bringing about greater parallelism US and Internatl List 1 and adequate control List 2 items.

In more complete discussion East-West trade problem which Linder had with Gaitskell,[3] Linder outlined present US legis situation and expressed hope that Br wld see their way to agree to inclusion on List 1 of those 1–A items in which their trade not significant in terms balance of payments rather than adhering to a rigid interpretation of

[1] Drafted by Camp and cleared with Linder; repeated to London.

[2] During the Seventh Session of the North Atlantic Council which met in Ottawa, September 15–20, the subject of East-West trade was only briefly discussed as noted in the source text and no resolutions concerning export controls were considered. For documentation on the Seventh Session, including summaries of the meetings, see vol. III, pp. 616 ff.

[3] The conversation under reference has not been further identified.

strategic definition. Gaitskell appeared consider this cld be done and promised look into matter on return London.

ACHESON

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460.509/9–2851 : Telegram

*The Ambassador in France (Bruce) to the Secretary of State*

SECRET

PARIS, September 28, 1951—8 p. m.

1927. Excon. After four COCOM mtgs and numerous talks with UKDel on List II problem, and pending further developments in detailed item discussions which will begin Oct. 1, USDel sees current situation and future outlook on quantity controls as follows:

1. There is fair possibility that an improved form of quantity controls, heretofore agreed to only in principle ("hold-the-line") and with considerable misgiving on all sides, will be found workable and acceptable to PCs. Real possibility, foreseen by UK, that some PCs might seek to redraft CG directive, argue broad principles or otherwise obstruct or delay project, did not materialize in early discussions.

2. PCs have accepted idea that no further delay in attempting to dispose of List II items shld be tolerated. Action on chemical items to start in COCOM Mon and technical experts attending, to be followed by metalworking categories soon as possible, perhaps late next week, and thereafter by other categories in numerical order.

3. It appears likely that degree of control ultimately agreed for individual items will differ considerably from conservative proposals put forward by more security-conscious US. Other PCs have econ considerations foremost in mind. Believing that controls may be in effect over long period, and desiring to avoid use of exceptions procedure which requires specific justification for such exports as they may find necessary, they appear disposed to "hold-the-line" wherever possible and to cut back exports only when clearly convinced that past export levels have been excessive in terms of making significant contribution to Sov bloc war potential.

4. These differences in approach reflected in early debate on procedure for disposing of items not upgraded or downgraded. USDel, with initial support of UK, pressed strongly for approach in two distinct phases: (*a*) determination of global quota or limit on strategic grounds and (*b*) allocation of total among exporting PCs on equitable basis. By this procedure we hoped limit attendance technical experts to first phase, keep security objective foremost in mind, and avoid raising numerous problems at outset, such as equitable base periods and inadequacy of past statistics, which might cause lengthy delay or even breakdown entire effort. In prelim discussions with UK they strongly doubted willingness of PCs to agree any specific global limit without knowing what this wld mean to individual

countries in terms respective shares. UK, nevertheless, supported US position, and in return US supported UK proposal that decision as to global limit wld be expressed in terms of maintaining or cutting back from estimated past export levels. US will continue urge strategic basis US recommendations. In subsequent lengthy COCOM debate on sample case (2120-anti-scaling equipment) agrmt was reached to hold line but no agrmt cld be reached on precise total figure even though this wld have meant only minor adjustments in shares after certain dels cld provide more detailed statistics. At this point Belg del proposed, and was supported by UK and other PCs, that all PCs should come prepared, for chemicals discussions, to state what specific amt they shld be allowed to export item by item. As later modified after US–UK discussion, procedure wld also require PCs to provide specific figure for past average exports, even if estimated or arbitrary, and to state their view, if any, as to what global total shld be fixed on strategic grounds. This approach shld permit COCOM to arrive at global figure which PCs desire to ship and to debate whether figure is all right or shld be reduced on strategic grounds under CG directive. If cutback agreed, present thinking is that percentage wld be applied against base period figures, with such adjustments among shares as COCOM might agree to be equitable (e.g., to meet FedRep on base period issue). We wld hope that if agrmt on global limit can be reached in this manner, and questions as to equitable shares on some postponed to later date, main objective of reaching agrmt on total limits within reasonable time will be achieved. From viewpoint of US relations with other PCs, agreed procedure has merit that it will require each PC to take positive position each item rather than continued negative opposition to specific US proposals. Principal disadvantage from US viewpoint is that debate may start with more definite bias toward hold-the-line than otherwise, altho also possible that US may now receive more support than otherwise (in our efforts to obtain cutbacks in justified cases) from those PCs not directly interested in exporting the item.

5. In final analysis disposition of items will be strongly influenced by US position, which has been made clear to PCs item by item (but without detailed justifications) in doc 489 (airpouched in Emb desp 847, Sept 25)[1] and by UK attitude. Prelim indication is that UK will support hold-the-line or higher limits for at least half of the 93 List II items and will support embargo, severe restriction or moderate cutbacks on about one-third of items. Other proposals to downgrade and several for *quid pro quo* treatment.

6. In order achieve maximum area of agrmt without committing US to specific limits which are clearly not defensible from strategic viewpoint, USDel will assume there is reasonable flexibility in US item

[1] Not printed.

proposals, which are intentionally conservative, and intends adopt fol approach when agrmt not obtainable on level we proposed or any lower level: (*a*) will accept level reasonably above US proposals; (*b*) will accept level substantially above US proposal, in deference to combined judgment of other PCs, if rational defense on strategic grounds is put forward for such action; in these instances, will also strongly urge that shipments so far as possible be kept below agreed level; (*c*) will not accept any level substantially above US proposal, for which no rational defense is offered, and in these cases will propose *quid pro quo* treatment for all shipments or for those above some limit we consider defensible; and (*d*) in event PCs will not accept *quid pro quo* proposal (which differs from exceptions procedure in that prior consultation with COCOM is not required) will make clear reasons we cannot agree to higher limit, reserve position and request Dept instrs. If by end of discussions some compromise appears feasible whereby substantial agrmt might be reached, even though final levels of all items at issue are not defensible by US but represent maximum degree of restriction which can be agreed multilaterally, USDel will request instrs before taking any position.

BRUCE

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460.509/10–951

*Memorandum by Mr. Raymond Vernon of the Office of Economic Defense and Trade Policy to the Under Secretary of State (Webb)*

CONFIDENTIAL [WASHINGTON,] October 9, 1951.

Attached hereto are two memoranda which Mr. Linder asked me to put in your hands today.

The two memoranda deal with closely related subjects. The first considers the question which you raised in your recent conversation with Mr. Linder, whether the Department should revive its earlier proposal for the creation of an Economic Defense Strategy Board. The second deals with the role which State should play in the administration of the Battle Bill.

[Attachment 1]

*Memorandum Prepared by the Acting Chief of the Economic Defense Staff (Moline)*

CONFIDENTIAL [WASHINGTON,] October 9, 1951.

REVIVING THE PROPOSAL FOR THE CREATION OF AN ECONOMIC DEFENSE STRATEGY BOARD

THE PROBLEM

Should steps be taken to revive our earlier project for the creation of an Economic Defense Strategy Board, chaired by State, with gen-

eral responsibilities for formulating and coordinating policies on economic defense?

RECOMMENDATIONS

1. The Department should take no action at this time to revive the project for creation of an Economic Defense Strategy Board unless the matter is likely to be seriously considered on the initiative of some other agency.

2. In the latter case, and as the preferred alternative to creating an Economic Defense Strategy Board at this time, the Department should urge the continuation of the present interim arrangement under which the Department serves as the coordinator of activities in the field of economic defense.

3. If a more positive proposal seems necessary in order to forestall steps to transfer the coordinating function elsewhere, the Department should urge the creation of an Economic Defense Strategy Board under its chairmanship.

DISCUSSION

The proposal for an Economic Defense Strategy Board was made first in the Labouisse report[1] last February. The Bureau of the Budget, to which the proposal was referred by the President, studied it carefully and decided it was correct in principle. That the proposal would be strongly resisted by other agencies also became apparent during the course of the study. In the circumstances, it was decided not to press the project further at the time. Instead, as an interim arrangement it was recommended by the NSC that the Department of State serve as the coordinator of activities in the economic defense field stemming from the proposals outlined in NSC 104/2.[2] The President approved this proposal on April 12.

There seems little to be gained from changing the present arrangement. It is working well and it will get better. The Department is now organized and staffed to handle the job of coordinating the interdepartmental work on economic defense matters. Acceptance by other agencies of the State Department as a coordinator in this field has increased noticeably during the past three months, and there is every reason to expect that it will increase further during the coming months.

There is a decided risk in establishing formally an Economic Defense Strategy Board, irrespective of who chairs it. The principal danger is that the nations of Western Europe would interpret such a move as the start of efforts to extend security controls to the point of economic warfare. Their fear of such action has long been evident, and is stronger now than six months ago. It has been voiced strongly in

[1] Presumably a reference to the Report prepared by the Office of Intelligence Research of the Department of State, which is Appendix A to the memorandum by NSC Executive Secretary Lay of February 12, p. 1035.

[2] Dated April 4, p. 1059.

recent months, notably during the COCOM discussions in June and during the NATO Conference in Ottawa in September. Despite assurances that economic warfare is not the US goal, any evidence at this time which might be so interpreted could lead to a lessening of the international cooperation and a weakening of international controls rather than otherwise. Since economic defense measures, by and large, depend heavily for their effectiveness on international cooperation, we should avoid taking any steps which will jeopardize it.

If a decision is taken that a more formal mechanism is needed, notwithstanding the considerations described above, a strong effort should be made to ensure that State retains the coordinating function in that mechanism. The reasons why the State Department should continue to coordinate the economic defense work derive from the growing political importance of this problem in our foreign relations and from the fact that the Department conducts the extensive negotiations necessary to make the work meaningful. Moreover, effective work in relation to economic defense necessarily involves shipping, telecommunications, international monetary policy, control of enemy assets, acquisition and distribution of raw materials, exchange of technology and other matters with which State Department is familiar, notwithstanding the fact that in some instances primary responsibility rests with other agencies.

No agency other than State has the same widespread interest in the foregoing range of subjects. In addition, economic defense problems require attention in the UN Collective Measures and Additional Measures Committees, The Finance and Economic Board of NATO, the Organization of American States, GATT, and in other international bodies in which the Department customarily represents the United States Government and in which it can ensure that economic defense matters are properly related to other objectives in the international field.

Given the present predominance of export control work in the economic defense field and the important position which the Administrator of the Battle Bill, who is also Director of the Mutual Security Program,[3] will have in such work, there may be an effort to make him responsible for coordinating all of the economic defense work. He would appear to be the only one, other than the Secretary of State, with a possible claim to such a position.

Assignment of the coordinating responsibility would necessarily bring the Administrator into fields which are properly the responsibility of State and would require some duplication of staff as well as

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[3] For documentation concerning the development of the Mutual Security Program, which was approved by the Senate and the House on October 2 and 5, respectively, and subsequently signed by President Truman on October 10, see pp. 266 ff.

interest if the job was to be well done. An even more compelling reason for not making the assignment is that the Administrator is primarily concerned with the extension of aid. If the central position in economic defense were in the hands of the Administrator, other countries whose cooperation is essential to success in this field would undoubtedly consider that their cooperation was being solicited on an inherently coercive basis. The officer with control of the international purse strings would be the officer requesting their cooperation. In those circumstances, the kind of cooperation the United States received would fall far short of the kind which could be received, given a different kind of approach.

[Attachment 2]

*Memorandum Prepared in the Department of State* [4]

RESTRICTED [WASHINGTON,] October 9, 1951.

ADMINISTRATION OF THE BATTLE BILL

PROBLEM

It seems probable that the Battle Bill will be passed in the Senate version. Once the bill becomes law the President will presumably issue an Executive Order designating the Mutual Security Director as the Administrator and laying down the "ground rules" for the administration of the law.

DISCUSSION

The principal functions which have to be performed under the Battle Bill are assigned in part to the Administrator, and in part left to the President. These functions and assignments are as follows:

1. The *Administrator* is directed to determine which items should be embargoed to effectuate the purposes of the Act.
2. The *Administrator* must recommend termination of assistance to any country which knowingly exports items determined by him to require embargo.
3. The *President* may, in certain circumstances, direct the continuation of aid.
4. The *President* determines when aid should be resumed because of compliance with the Act.
5. The *United States* negotiates with countries receiving assistance, programs for controlling certain other items.
6. The *President* determines when countries are not adequately cooperating in respect to 5 above and terminates aid in these circumstances.
7. The *President* invites the cooperation of countries not receiving assistance to cooperate in controlling the embargo list and other items.

[4] Drafted by Vernon and Camp and cleared with Bonbright and Linder.

8. The *Administrator* coordinates the activities of the various U.S. Government departments concerned with security controls over exports from other countries.

Three principal issues will arise with respect to the way in which these functions are performed:

1. To what extent and by what mechanism will the President and the Administrator each obtain the advice of other agencies?
2. Who will do the required negotiating with foreign countries?
3. Who will the President and the Administrator call on for staff work?

THE MECHANISM FOR ADVICE TO THE ADMINISTRATOR AND TO THE PRESIDENT

The clearest provision for consultation with other agencies is contained in Section 103(*a*) which states that "The Administrator is . . .[5] directed to determine . . . after full and complete consideration of the views of the Departments of State, Defense, and Commerce; the Economic Cooperation Administration; and any other appropriate agencies" . . . the embargo list.

In our view the Administrator should receive this and related advice through an interagency committee, specifically charged with this function. The present NSC Special Committee on East-West Trade might be used for this purpose, although it would be desirable in the interests of efficiency to reduce the committee's membership by eliminating ODM and E. This committee has been the principal vehicle in the past for the interdepartmental consultation required to implement both the Cannon and Kem amendments. It may be suggested that advice on the lists of strategic materials should, instead, be provided by the Advisory Committee on Export Policy. This suggestion should be resisted for two reasons. First, the ACEP is advisory to the Secretary of Commerce; second, the ACEP is concerned exclusively with U.S. export licensing policy and deals with many issues unrelated to the Administrator's work. Its membership is correspondingly broad.

Insofar as the decisions to terminate or resume aid are concerned, it is assumed that the President will look principally to the Director of MSA, the Secretary of Defense and the Secretary of State for guidance. It is probably not necessary to specify in detail the mechanism through which any conflict in views is resolved.

NEGOTIATIONS WITH FOREIGN GOVERNMENTS

Throughout the Bill, wherever there is a provision requiring negotiations with foreign governments, the words "The United States . . ." or "The President shall negotiate" are used, thus clearly differentiating the responsibility for negotiations from the functions specifically

[5] All ellipses in the source text.

given to the Administrator. The Secretary of State would, in customary circumstances, be assumed without question to be the appropriate agent of "The United States" or "The President" for this purpose. Some question in the present case may, however, arise because of the fact that the Administrator of the Battle Bill is not only the MSA Director but also the head of the Mutual Security Agency which has a foreign staff. *Therefore, it should be made clear, either through an Executive Order or otherwise, that the negotiating function and the essential staff work related thereto, such as the determination of negotiating tactics, remains as it is today, in the Secretary of State.* In this connection, it should be noted that the responsibility for negotiations in this field, although at one time carried on by OSR, was transferred at the request of Mr. Harriman, then U.S. Special Representative in Europe, to the State Department.

STAFF WORK

The Administrator of the Bill will require various kinds of staff work in addition to the negotiating functions mentioned above. Staff work will, for example, be required in:

(1) the preparation of the list of strategic materials and their continuous adjustment to current conditions, as provided in the Bill.
(2) assessing the factors which the Bill stipulates must be taken into account in order to grant exceptions or to resume aid.
(3) reports to Congress.
(4) studies on the administration of export controls of other countries, and assistance to other countries regarding export control procedure.

It is our strong view that staff responsibilities should in general remain as at present and that the Administrator should neither assign new staff responsibilities to the ECA (MSA) nor build up a staff of his own to undertake these functions, since the same or similar functions are already being performed elsewhere in the Government. The two functions of the Administrator are quite distinct, and the delegation of new staff work to the MSA is in no way implied by the Battle Bill. To the extent that staff work requires coordinated action on the part of several agencies, the Administrator might well utilize the NSC Special Committee on East-West Trade which has been responsible for analogous coordinated staff work in connection with the Kem Amendment. It should be noted that although this Committee has been used as the coordinating mechanism, most of the policy aspects of the staff work have been done by the Department of State, with the Department of Commerce supplying technical data and trade analyses. It is believed that there has been increasing satisfaction with the Department's predominant role.

ECONOMIC DEFENSE PROBLEMS BEYOND THE SCOPE OF THE BATTLE BILL

The Department has taken the view in the past that responsibility for coordinating economic defense strategy should rest in State. This position was confirmed on an interim basis by the President's letter to the Department of last April. The appointment of the Battle Bill Administrator outside the Department does not affect the desirability of continuing Departmental leadership on the broad question of economic defense. The Battle Bill is concerned with only one aspect of economic defense policy and, as noted above, even in that field the Administrator's functions are limited and key decisions are vested in the President. It should further be noted that the Mutual Security Act prohibits the Director from assuming functions other than those assigned to him by law, and hence it is to be expected that those responsibilities in the field of economic defense which he will assume as Administrator under the Battle Bill will only be those enumerated in the Statute.

RECOMMENDATIONS

It is recommended that the Acting Secretary discuss the question of administration under the Battle Bill with the Director of the Bureau of the Budget and leave with him the attached draft Executive Order which incorporates the views of the Department in this matter.

[Subattachment]

*Memorandum by Mr. Carroll S. Hinman of the Management Staff of the Department of State* [6]

[WASHINGTON, October 9, 1951.]

DRAFT EXECUTIVE ORDER TO IMPLEMENT H.R. 4550, "THE MUTUAL DEFENSE ASSISTANCE CONTROL ACT OF 1951" (BATTLE BILL)

PROVIDING FOR THE ADMINISTRATION OF THE MUTUAL DEFENSE ASSISTANCE CONTROL ACT OF 1951

By virtue of the authority vested in me by the Constitution and Statutes, including the Mutual Defense Assistance Control Act of 1951, and as President of the United States, it is hereby ordered as follows:

1. The responsibility for giving effect to the purposes of the Mutual Defense Assistance Control Act of 1951 is hereby vested in the Director of Mutual Security in the Executive Office of the President, hereafter referred to in this Order as the Administrator in accordance with Section 102 of said Act.

2. In the exercise of his responsibilities under this Order, the Administrator shall give full and complete consideration to the views of the Departments of State, Defense, and Commerce, the Mutual Security Agency, and any other appropriate agencies. To the extent appro-

[6] Cleared with Vernon and Camp.

priate, the Special Committee on East-West Trade of the National Security Council shall serve as a means for advising the Administrator of the views of the agencies concerned. The Administrator or his representative shall serve as Chairman of the Special Committee on East-West Trade when it considers matters related to the implementation of the Mutual Defense Assistance Control Act of 1951.

3. In exercising his functions under this Order, the Administrator shall utilize to the fullest extent practicable resources of the appropriate agencies of the government for such analyses, reports, investigations, evaluations, and services as are necessary in connection with recommendations and determinations to be made by him.

4. Negotiations with foreign governments to give effect to the purposes of the Mutual Defense Assistance Control Act of 1951 shall be carried on by or under the direction of the Secretary of State.

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460.509/10-1251

*The Assistant Secretary of State for Congressional Relations (McFall) to the Director of the Bureau of the Budget (Lawton)*[1]

CONFIDENTIAL WASHINGTON, October 16, 1951.

MY DEAR MR. LAWTON: Reference is made to the Bureau of the Budget's memorandum of October 12, 1951,[2] transmitting a copy of the enrolled bill H.R. 4550[3] and requesting the comments of the Department of State regarding this legislation.

As you are aware, the Department was given an opportunity to comment on the bill in its original draft form and on that occasion suggested certain substantive changes which were in the main accepted.

Since then the Department of State has followed very closely the progress of this bill through the Congress. Although the Department, as is indicated later in this letter, has some serious question about the principle upon which H.R. 4550 is based, particularly in view of the present role of United States assistance in supporting an accelerated defense effort by the free world, it is the Department's view that H.R. 4550 is on the whole more workable than existing legislation. After a thorough analysis of the provisions of the bill, the Department concludes that it will be possible to carry out its objectives without jeopardizing the foreign relations and the overall security interests of the United States. The Department accordingly recommends that the President approve the bill.

The Department wishes to take this occasion to urge that approval of H.R. 4550 be treated as a routine matter, and that no public statement be issued at the time of its approval. Many countries, particularly

[1] Drafted by Coster and Wright and cleared with Linder, Camp, Kirlin, Vernon, and Hinman.

[2] Not found in Department of State files.

[3] For information concerning the Mutual Defense Assistance Control Act of 1951, see the editorial note, p. 1176.

our NATO associates in Western Europe, view legislation such as the Kem Amendment and H.R. 4550 as instruments by which this country unilaterally seeks to impose a policy of economic warfare upon them. The NATO countries have demonstrated their willingness to cooperate in a multilateral program of security export controls where the intent is clearly to deny to the Soviet Bloc goods which are of importance to the military potential of the Bloc but they do not feel that it is in the security interests of the free world to undertake outright economic warfare. In particular they feel that the questions of policy with respect to East-West trade should be arrived at through the normal course of intergovernmental negotiation and not imposed by one country upon other countries. They have made their views on this subject particularly clear since the passage of the Kem Amendment in June.

As Mr. Harold Linder mentioned during his discussions with you and others in the Bureau of the Budget on October 12,[4] the Department of State recommends that in implementing H.R. 4550, there be the fullest possible reliance on the facilities of existing agencies and existing interagency organizational arrangements. In particular, the Department urges that the NSC Special Committee on East-West Trade continue as at present to serve as the mechanism for interagency consultation in implementing the bill. Not only will this insure a minimum of confusion in the division of responsibilities among the several interested agencies, but it will also insure maximum consistency between the actions taken under the bill with respect to trade and the actions in closely related fields which are being coordinated by the Department of State in implementation of NSC 104/2.[5]

Sincerely yours, JACK K. MCFALL

[4] No record of this conversation has been found in Department of State files.
[5] Dated April 4, p. 1059.

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S/S-NSC Files, Lot 63 D 351, NSC 111 Series

*Draft Report by the National Security Council*[1]

SECRET [WASHINGTON, October 23, 1951.]

REPORT BY THE NATIONAL SECURITY COUNCIL REGARDING A REVIEW OF ITS DETERMINATIONS UNDER SECTION 1302 OF THE THIRD SUPPLEMENTAL APPROPRIATION ACT, 1951

1. This report is submitted pursuant to Section 1302 of the Third Supplemental Appropriation Act, 1951, which requires that the Na-

[1] The source text was circulated to members of the National Security Council under cover of a memorandum by Executive Secretary Lay, dated October 23, which noted that the draft report was prepared by the Special Committee on East-West Trade. Lay's memorandum stated that if the report was approved by the Council, it would be recommended that the Council direct its declassification and transmit copies to the relevant Congressional committees.

tional Security Council report its determinations, quarterly, to the Appropriations and Armed Services Committees of the Senate and of the House of Representatives, the Committee on Foreign Relations of the Senate and the Committee on Foreign Affairs of the House of Representatives. The present report is made as of October ———, 1951,* and covers actions taken during the entire period when Section 1302 was in effect.

BACKGROUND

2. Section 1302 of the Third Supplemental Appropriation Act, 1951 (Public Law 45, approved June 2, 1951), directs that, unless the National Security Council makes an exception upon an official determination that such exception is in the security interest of the United States, no economic or financial assistance shall be provided to any foreign country which, after fifteen days following its enactment, exports or knowingly permits the export of certain named categories of commodities to the Soviet Bloc during any period in which the armed forces of the United States are actively engaged in hostilities in carrying out a decision of the Security Council of the United Nations. In order to be eligible for economic or financial assistance each country must certify that after the prescribed period it has not exported or knowingly permitted the export of the prohibited items to the Soviet Bloc.

3. The Act required that the Secretary of Defense certify to the Economic Cooperation Administrator a list of arms, or armaments or military matériel or articles or commodities which may be used in the manufacture of arms, armaments, or military matériel, or shipment of which to the Soviet Bloc is embargoed by the United States in the interest of national security. The list in question was certified on June 5, 1951.

CONSIDERATIONS GOVERNING NATIONAL SECURITY COUNCIL ACTION

4. The Council has carried out its responsibilities under Section 1302, having in mind that foreign countries should certify that they were not shipping to the Soviet Bloc any article specified on the list certified to the Economic Cooperation Administrator by the Secretary of Defense. To this end, immediately upon the passage of the statute, the Department of State informed foreign governments of the requirements of Section 1302, especially that of certification.

5. It was impossible for any country to provide the necessary certification within fifteen days of the passage of the Act because of the

*To be dated as of the date of signature by the President of the Mutual Defense Assistance Control Act of 1951, which repeals Section 1302. [Footnote in the source text.]

time required both for the United States to compile and transmit the lists of commodities, and for the countries affected by Section 1302 to determine whether their export policies and procedures could be adapted so as to enable them to certify. Accordingly, an interim general exception was approved for all countries affected by Section 1302 in recognition of the degree to which the strength of the free world depends on assistance from the United States and in recognition of the importance of maintaining that strength. The interim general exception provided the Council an opportunity to make an orderly examination of the situation with respect to each country which did not certify. On the basis of such examination, the Council has made determinations in respect to each of these countries, except Argentina, Ceylon and Guatemala which are referred to in paragraph 16 below. Efforts were continued by the Department of State throughout the period under review to obtain certifications, and 24 countries had furnished certificates by October ———.

6. In considering whether the security interests of the United States required the granting of exceptions to countries which did not certify, the Council was guided by a number of major considerations. No country for which an exception was made was known to be shipping arms, ammunition, implements of war, or atomic energy materials to the Soviet Bloc. The Council evaluated the adequacy of a country's control over its exports to the Soviet Bloc of items of strategic significance. The Council also considered the contribution of the aid programs to the strength of the free world and the probable effects on essential imports from the Soviet Bloc (such as coal, lumber, and grain) resulting from discontinuance of exports to the Bloc. In addition, in considering each specific country, the Council took into account such other factors in the particular case as had significant bearing upon United States security.

7. Thus the Council has reached its decision in each instance upon the basis of all pertinent elements of the problem. Exception has been made only when, in a careful weighing, a determination to make exception was found on balance to be in the interest of United States security. Specific country exceptions, affecting 36 countries were made by the Council in the period ending October ———.

8. Negotiations which have had the objective of bringing the export controls of the free nations over trade with the Soviet Bloc into closer conformity with those of the United States were initiated soon after the inception of U.S. security export controls in 1948 and have been pursued continuously since that time. Since 1949, the major trading countries of Western Europe have cooperated closely with each other and with the United States and Canada in developing and carrying

549-782—79——77

out security controls over exports of strategic goods to the Soviet Bloc. Representatives of most of the participating Governments maintain regular contact through a committee on security export controls located at Paris. As a result of discussions in this committee which have taken place during the period under review, the number of items which are included on the international list as items of primary strategic importance has been further increased. This list now includes approximately 95 percent of the commodity categories on the U.S. primary strategic lists for embargo to the countries of the Soviet Bloc. These countries are also agreed on the need to restrict exports to the Soviet Bloc of goods of secondary strategic significance—that is, goods which if shipped in quantity would make a significant contribution to the war potential of the Soviet Bloc.

9. In the case of Latin America, discussions along these lines have taken place pursuant to the April 7, 1951 resolution of the Latin American Foreign Ministers Conference to the effect that the American Republics agree to cooperate fully with one another in the adoption of effective measures of economic defense and security controls. Discussions of trade controls have also taken place with other countries receiving U.S. aid.

10. As a result of the Resolution of May 18, 1951 by the General Assembly of the United Nations, recommending that every state apply an embargo on shipment to Communist China and North Korea of arms and related items, there are in effect in many friendly countries controls over the shipment of such items to China. The countries actively supporting the arms embargo include the principal allies of the United States which receive economic or financial assistance from this country.

DETAILS OF NATIONAL SECURITY COUNCIL ACTION

11. In making the general interim exception, the Council had under consideration 66 countries. These are listed in Appendix A to this report together with an indication of the action with respect to each. The National Security Council on June 18 determined that Canada was not receiving assistance of the type contemplated by Section 1302. The Ryukyus were covered as a United States dependency in the Council's determination on Japan. Although Sweden was included since it was receiving United States assistance at the time of the interim general exception, Sweden ceased to receive assistance from the United States during the quarter ending September 30. Hence, the provisions of Section 1302 were no longer applicable to Sweden.

12. Twenty-four of the countries receiving United States economic or financial assistance have certified that after June 18, 1951, they did not export or knowingly permit the export to the Soviet Bloc of the

items contained on the list certified by the Secretary of Defense. Hence, the interim general exception for these countries has been replaced since June 30 by their certification under Section 1302. In view of the responsibilities placed upon it by the provisions of Section 1302, the Council directed its Special Committee on East-West Trade to continue its examination of the trade of the countries that have certified and to see that periodic renewals of the certification as required by the Section are received. The countries which have provided the necessary certification under Section 1302 are the following:

Bolivia
Costa Rica
Cuba
Dominican Republic
Ecuador
Ethiopia
Greece
Haiti
Indochina (Cambodia, Laos, Viet Nam)
Jordan
Liberia
National Government of the Republic of China
Nepal
Nicaragua
Panama
Paraguay
Peru
Philippines
Republic of Korea
Saudi Arabia
Spain
Thailand
Trieste
Yugoslavia

Renewals of certification by these countries have been obtained as required at the termination of their validity period of 30 days.

13. As rapidly as adequate data could be made available, the National Security Council has reviewed the trade patterns of the countries receiving U.S. aid and believed to be exporting to the Soviet Bloc items on the list certified by the Secretary of Defense. The work of preparing the necessary reports and trade analyses has been done by the Special Committee on East-West Trade of the National Security Council. This committee, which was originally created to assist the Council in the performance of its responsibilities under Section 1304, Public Law 843 (81st Congress, second session) is made up of representatives of the following departments and agencies whose staffs have contributed heavily of their time in the preparation of these reports: the Departments of State, Treasury, Defense, and Commerce; the National Security Resources Board; the Office of Defense Mobilization; the Economic Cooperation Administration; the Joint Chiefs of Staff; the Central Intelligence Agency; the Export-Import Bank; and the Office of the Special Assistant to the President. The Secretaries of the Treasury and Commerce, the Director of Defense Mobilization, the Economic Cooperation Administrator, and the Chairman, Export-Import Bank have participated with the Council in its actions under Section 1302.

14. As a result of these activities, the National Security Council has replaced the interim exception with a specific country determination in the case of the following countries:

| | |
|---|---|
| Afghanistan | Italy |
| Austria | Japan |
| Belgium | Jordan |
| Brazil | Lebanon |
| Burma | Libya |
| Chile | Luxembourg |
| Colombia | Mexico |
| Denmark | Netherlands |
| Egypt | Norway |
| El Salvador | Pakistan |
| France | Portugal |
| Honduras | Southern Rhodesia |
| Iceland | Syria |
| India | Turkey |
| Indonesia | United Kingdom |
| Iran | Uruguay |
| Iraq | Venezuela |
| Ireland | Western Germany |
| Israel | |

15. As required by Section 1302, the National Security Council has immediately reported to the appropriate Congressional committees all exceptions made under Section 1302 together with the reasons therefor. In addition, the National Security Council has transmitted together with the exception an analysis of the trade with the Soviet Bloc of countries for which a specific exception has been made.

16. No action has been taken since the date of the general interim exception on Argentina, Ceylon and Guatemala, which have not certified in accordance with Section 1302. Certain factors with respect to these countries were still under review by the National Security Council when Section 1302 was repealed.

17. The foregoing exceptions and certifications were under continuing review. They did not give blanket approval to shipments of strategic materials. They were exceptions made in the light of circumstances prevailing at the time of the NSC determinations.

18. The Council directed that the trade with the Soviet Bloc of each country receiving aid should be kept under continuing scrutiny by its Special Committee on East-West Trade and that efforts should be continued to seek additional measures consistent with over-all United States security interests toward minimizing the flow of strategic items to the Soviet Bloc from such countries. During the period under review this continuing scrutiny has not disclosed any developments which would require revision or withdrawal of any of the exceptions which had been made.[2]

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[2] By memorandum action as of November 5, the National Security Council approved the source text and directed that it be declassified and transmitted to the committees of Congress designated in Section 1302. (NSC Record of Action 579, November 5; S/S–NSC Files, Lot 66 D 95, Record of Actions–1951)

Appendix A

Review of NSC Action with Respect to Countries Receiving United States Economic or Financial Assistance[3]

(With Date of NSC Determination)

| Country | Certification noted† | Exception‡ | Date of exception | Pending | No action required |
|---|---|---|---|---|---|
| Afghanistan | | No. 8 | 8/29/51 | | |
| Argentina | | | | As of 10/—/51. | |
| Austria | | No. 2 | 6/14/51 | | |
| Belgium and dependent overseas territories | | No. 18 | 9/21/51 | | |
| Bolivia | 9/29/51 | | | | |
| Brazil | | No. 21 | 9/29/51 | | |
| Burma | | No. 7 | 8/29/51 | | |
| Canada | | | | | (§) |
| Ceylon | | | | As of 10/—/51. | |
| Chile | | No. 21 | 9/29/51 | | |
| Colombia | | No. 21 | 9/29/51 | | |
| Costa Rica | 9/10/51 | | | | |
| Cuba | 9/10/51 | | | | |
| Denmark | | No. 18 | 9/21/51 | | |
| Dominican Republic | 9/10/51 | | | | |
| Ecuador | 9/10/51 | | | | |
| Egypt | | No. 15 | 9/13/51 | | |
| El Salvador | | No. 21 | 9/29/51 | | |
| Ethiopia | 9/10/51 | | | | |
| France and dependent overseas territories | | No. 18 | 9/21/51 | | |
| Greece | 9/10/51 | | | | |
| Guatemala | | | | As of 10/—/51. | |
| Haiti | 9/10/51 | | | | |
| Honduras | | No. 21 | 9/29/51 | | |
| Iceland | | No. 11 | 9/10/51 | | |
| India | | No. 4 | 7/17/51 | | |
| Indochina | 9/10/51 | | | | |
| Indonesia | | No. 13 | 9/13/51 | | |
| Iran | | No. 14 | 9/13/51 | | |
| Iraq | | No. 6 | 8/29/51 | | |
| Ireland | | No. 10 | 9/10/51 | | |
| Israel | | No. 12 | 9/13/51 | | |
| Italy | | No. 18 | 9/21/51 | | |
| Japan | | No. 20 | 9/27/51 | | |
| Jordan | 10/8/51 | | | | |
| Korea | 9/10/51 | | | | |
| Lebanon | | No. 6 | 8/29/51 | | |
| Liberia | 9/10/51 | | | | |
| Libya | | No. 16 | 9/13/51 | | |
| Luxembourg | | No. 18 | 9/21/51 | | |
| Mexico | | No. 21 | 9/29/51 | | |
| Nationalist China | 9/10/51 | | | | |
| Nepal | 9/10/51 | | | | |
| Netherlands and dependent overseas territories | | No. 18 | 9/21/51 | | |

[3] Documentation concerning each of these 21 NSC Determinations, including country studies and supporting memoranda, is in the S/S-NSC Files, Lot 63 D 351, NSC Determinations No. 2–8, No. 9–17, and No. 18–21.

†Certification in accordance with Section 1302. [Footnote in the source text.]

‡Exception to Section 1302 made in the security interest of the U.S. [Footnote in the source text.]

§Not receiving U.S. aid. [Footnote in the source text.]

Appendix A—Continued

Review of NSC Action with Respect to Countries Receiving United States Economic or Financial Assistance—Continued

| Country | Certification noted‖ | Exception¶ | Date of exception | Pending | No action required |
|---|---|---|---|---|---|
| Nicaragua | 9/10/51 | | | | |
| Norway | | No. 3 | 6/14/51 | (**) | |
| Pakistan | | No. 17 | 9/19/51 | | |
| Panama | 9/10/51 | | | | |
| Paraguay | 9/10/51 | | | | |
| Peru | 9/29/51 | | | | |
| Philippines | 9/10/51 | | | | |
| Portugal | | No. 18 | 9/21/51 | | |
| Ryukyu Islands | | | | | (††) |
| Saudi Arabia | 9/10/51 | | | | |
| Southern Rhodesia | | No. 18 | 9/21/51 | | |
| Spain | 9/27/51 | | | | |
| Sweden | | | | | (‡‡) |
| Syria | | No. 6 | 8/29/51 | | |
| Thailand | 9/10/51 | | | | |
| Trieste | 9/10/51 | | | | |
| Turkey | | No. 5 | 8/ 2/51 | | |
| United Kingdom and dependent overseas territories | | No. 18 | 9/21/51 | | |
| Uruguay | | No. 21 | 9/29/51 | | |
| Venezuela | | No. 21 | 9/29/51 | | |
| Western Germany | | No. 19 | 9/21/51 | | |
| Yugoslavia | 9/10/51 | | | | |

‖Certification in accordance with Section 1302. [Footnote in the source text.]

¶Exception to Section 1302 made in the security interest of the U.S. [Footnote in the source text.]

**The exception for Norway made by NSC Determination No. 3, dated June 14, 1951, was superseded by the exception made for Western European members of NATO in NSC Determination No. 18, dated September 21, 1951. [Footnote in the source text.]

††Under jurisdiction of U.S. authorities. [Footnote in the source text.]

‡‡Not receiving U.S. aid. [Footnote in the source text.]

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S/P–NSC Files, Lot 61 D 167, Public Law 45–NSC Determinations

*Memorandum by the Deputy Assistant Secretary of State for Economic Affairs (Linder) to the Counselor of the Department of State (Bohlen)*[1]

SECRET [WASHINGTON,] October 26, 1951.

Subject: Proposed Dissolution of the Special Committee on East-West Trade

*Problem*

At the NSC Senior Staff meeting on Tuesday, October 30 a draft memorandum will be considered which recommends the dissolution

[1] Drafted by Moline.

of the Special Committee on East-West Trade and the transfer of its incomplete projects to the Director for Mutual Security. This memorandum was prepared by the Office of the Executive Secretary of the NSC and has been transmitted to the Senior Staff at the request of the Special Committee, but without recommendation by that Committee.

*Recommendation*

1. The Department should take the position that the dissolution of the Special Committee is premature at the present time and should express opposition to such a move.

2. The Special Committee's uncompleted projects should be completed under present arrangements for eventual submission to the Senior Staff.

*Discussion*

The memorandum bases its first recommendation on the ground that with the passage of the Battle Bill and termination of the NSC's responsibility for determinations under the Kem Amendment the Special Committee has completed its assignment and should, therefore, be dissolved.

It is the Department's view that the implementation of the Battle Act may result in continuing a considerable amount of work for the NSC in the East-West trade field. To begin with, the President has a substantial range of responsibilities under the Battle Act which he cannot delegate to the Administrator and on which he must consult with various agencies; for example, it rests with the President to determine when aid should be withdrawn or resumed. In practice, he may wish to continue to get advice on such matters through the Security Council in view of the security implications of terminating assistance.

The other principal reason for maintaining the East-West Trade Committee in existence is the fact that the problems of East-West trade policy extend far beyond the subject matter of the Battle Act and cover a range of issues with which it is anticipated the National Security Council will frequently have to be concerned. Problems involving shipping and bunkering policy, finding alternative markets for free world goods, developing alternative sources of supply, and many other issues will frequently require interagency consultation and eventual consideration by the National Security Council. In total the economic defense work of interest to the National Security Council may be so great that the National Security Council would find it useful in the future, as in the past, to have the Special Committee give the work first attention for the Council. In any event, the matter could be decided on a more reasonable basis at a later date when there has

been a chance to evaluate the continued workload on the Council in the economic defense field and examine possible alternatives for dealing with it.

The Department, in a letter of October 16 to the Bureau of the Budget, recommended that in the administration of the Battle Act there be the fullest possible reliance on the facilities of existing agencies and existing interagency organizational arrangements. In particular, the Department urged that the NSC Special Committee on East-West Trade continue as the mechanism for interagency consultation in implementing the Act.

The second recommendation of the memorandum, to refer uncompleted projects to the Director of Mutual Security, is based on the statement that such action seems appropriate in view of the statutory responsibilities of the Director of Mutual Security and the fact that he is now a member of the National Security Council.

The projects in question are—

1. A Report on Japanese Trade with the Soviet Bloc particularly Communist China and Manchuria.

This report is being coordinated by State and done largely by State and Commerce. It is to recommend the trade control policy we wish to urge on Japan.

2. Analysis of the Soviet Bloc's Trade with the Free World.

This study, coordinated by Commerce and done largely by Commerce, will require interdepartmental consideration.

3. Decreasing Reliance on the Soviet Bloc.

State is coordinating this study on which the work is being done principally by ECA, and secondarily by State.

Except as the latter problem may involve the question of additional and/or alternate uses of aid, the Mutual SecurityDirector's interest in these subjects is not indicated by statute. In dealing with the problem of finding alternative markets for free world products—an integral part of the larger problem of decreasing reliance on the Bloc—the Administrator would be operating far outside the range of his statutory responsibilities. There is actually a legal basis for arguing that he cannot undertake responsibilities such as those involved in the projects mentioned.

The Mutual Security Act prohibits the Director from assuming functions other than those assigned to him by law, and only a very broad interpretation of the Battle Act could give the Director responsibility for the whole economic defense effort as an adjunct of his East-West trade responsibilities.

In regard to the second recommendation, it, likewise, seems unwise to make hasty decisions which it may be necessary to reverse in the near future. Since the present mechanism is a satisfactory one, it seems better to continue it in existence, allowing its work to proceed as pres-

ently assigned and reserving for the future the decision whether or not to make other arrangements.[2]

[2] According to a memorandum by Walmsley of November 5, the NSC Senior Staff at their meeting of October 30 decided to postpone action on the dissolution of the Special Committee on East-West Trade pending a report by Harriman's office concerning organizational changes to be instituted under the Mutual Security Program. The Special Committee was instructed to continue work on the three projects outlined in the source text. (S/S–NSC Files, Lot 63 D 351, NSC Determinations No. 18–21)

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S/S–NSC Files, Lot 63 D 351, NSC 104–Memoranda

*The Director for Mutual Security (Harriman)*[1] *to the Secretary of State*

WASHINGTON, November 1, 1951.

DEAR MR. SECRETARY: Public Law 213, 82nd Congress, provides that its Administrator shall advise the President in regard to several provisions of the law. The law further requires its Administrator to make certain determinations after full and complete consideration of the views of the Departments of State, Defense, and Commerce; the Economic Cooperation Administration; and any other appropriate agencies.

Accordingly, I am establishing a *Mutual Trade Security Advisory Committee* to help me with respect to these and related matters.

Standing members of this Committee should include the Departments of State, Treasury, Defense, Commerce, Office of Defense Mobilization, the Economic Cooperation Administration (and in lieu thereof the Mutual Security Agency), and the Central Intelligence Agency. From time to time, I will invite other Departments and Agencies to participate which have an interest in particular questions under consideration.

I would appreciate it if you will designate your representative to this Committee. It is my hope that your representative will be a person who will represent your own considered views and also be in a position to draw upon the full staff resources of your Department. I shall propose to the Committee that it establish a subcommittee at the staff specialist level which can prepare staff material and deal with most of the detailed technical problems. This arrangement should economize on the time of the Committee representatives and minimize the frequency of meetings of the Committee itself.

In view of the statutory requirements that the first lists called for by Public Law 213 shall be determined within thirty (30) days of enactment of the Act on October 26, I hope I may hear from you promptly.

Sincerely yours,

W. A. HARRIMAN

[1] W. Averell Harriman was confirmed by the Senate as Director of Mutual Security on October 19.

S/S–NSC Files, Lot 63 D 351, NSC 104–Memoranda

*The President to the Executive Secretary of the National Security Council (Lay)*[1]

SECRET WASHINGTON, November 6, 1951.

Subject: Assignment of responsibilities for economic defense

The Mutual Defense Assistance Control Act (Public Law 213) vests in the Director for Mutual Security certain authority with respect to coordination of security export controls. The Secretary of State shall continue to carry out his responsibilities under NSC 104/2[2] except as modified by the provisions of the Mutual Defense Assistance Control Act.

In order to carry out his statutory responsibilities in an effective manner, the Director for Mutual Security will be concerned from time to time with the possible use of the several economic defense measures when dealing with specific mutual trade control problems. The Secretary of State, in carrying out his responsibilities under NSC 104/2, and the Director for Mutual Security, in executing his responsibilities under the Mutual Defense Assistance Control Act, shall establish and maintain arrangements which will assure the effective accomplishment of their respective duties.

I should like you to inform the members of the National Security Council and appropriate agencies of my decision.

HARRY S. TRUMAN

[1] The source text was circulated to members of the National Security Council under cover of a memorandum by Lay dated November 7.
[2] Dated April 4, p. 1059.

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S/S–NSC Files, Lot 63 D 351, NSC 111–Kem Amendment

*Memorandum by the Deputy Assistant Secretary of State for Economic Affairs (Linder) to the Acting Secretary of State*[1]

SECRET [WASHINGTON,] November 21, 1951.

Subject: Dissolution of the Special Committee on East-West Trade

*Problem*

The Executive Secretary of the National Security Council has transmitted a memorandum dated November 16[2] on dissolution of the

[1] Drafted by Wright and cleared with Vernon, Walmsley, Camp, Hinman, and Stanley D. Metzger of the Office of the Legal Adviser for Economic Affairs.
[2] Not printed; it recommended that in light of the President's signing of the Mutual Defense Assistance Control Act of 1951 the work of the Special Committee on East-West Trade was completed and therefore the Committee should be dissolved. (S/S–NSC Files, Lot 63 D 351, NSC 111–Kem Amendment)

Special Committee on East-West Trade together with a memorandum form on the subject to be completed by the Department member of the National Security Council.

*Discussion*

The Senior NSC Staff on November 15 agreed to adopt a memorandum to the Council recommending the dissolution of the Special Committee on East-West Trade. Although the Department had previously at the Senior Staff meeting of October 30 favored the continuation of the Special Committee on East-West Trade on the grounds that it might continue to serve as a forum for discussing matters meriting NSC attention arising under the Battle Act or in connection with other aspects of economic defense, the Department representative at the Senior Staff meeting concurred in the proposal for dissolution of the Special Committee. This change of position was based on the following considerations:

1. The President's letter of November 6 [3] formally distinguished the Secretary of State's responsibilities under NSC 104/2 from those of the Director for Mutual Security under the Mutual Defense Assistance Control Act.
2. The Director for Mutual Security on November 1 [4] announced the establishment of a Mutual Trade Security Advisory Committee to advise him upon matters relating to Public Law 213 (the Battle Act).
3. The Department is now of the opinion that as a result of these two actions it would be preferable for an interdepartmental committee to be established for the purpose of advising the Department with respect to its responsibilities for coordinating economic defense activities under NSC 104/2 other than those covered by the Battle Act. This arrangement would be more satisfactory than the present series of *ad hoc* interdepartmental arrangements for handling various aspects of NSC 104/2.

In expressing concurrence with the proposal for dissolution of the Special Committee on East-West Trade, the Department's representative in the meeting of November 15 stated that the Department would work out with the Mutual Security Administrator arrangements for coordinating those functions assigned to the Department under NSC 104/2 which are not affected by the Battle Act. The Department also stated at the November 15 meeting that it had under consideration the establishment of a Committee to advise it on the matters for which it has coordinating responsibilities but that for the immediate future the existing *ad hoc* arrangements for inter-agency consultation would be continued. No exception was taken to these statements by any agency represented in the Senior Staff.

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[3] *Supra.*
[4] *Ante,* p. 1213.

*Recommendation*

It is recommended that the Acting Secretary indicate approval of the recommendation contained in paragraph 3 of the memorandum of November 16. In order to formalize the reservation which was noted by the Department in the Senior Staff meeting of November 15, it is recommended that the memorandum form on which the Department's approval will be noted also contain in the space provided under "Comments" the following statement:

The Department has under consideration the method which will be followed to fulfill its coordinating responsibilities under NSC 104/2 and will advise with the Mutual Security Administrator as to the most satisfactory arrangements to assure the effective accomplishment of these duties insofar as they relate to the duties assigned to the Mutual Security Administrator under Public Law 213.[5]

[5] By memorandum action as of December 8, the National Security Council approved the dissolution of the Special Committee on East-West Trade as recommended in Lay's memorandum of November 16 (see footnote 2, above). (NSC Record of Action 590, December 8; S/S-NSC Files, Lot 66 D 95, Record of Actions-1951).

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460.509/11-2251: Telegram

*The Acting Secretary of State to the Embassy in France* [1]

SECRET
PRIORITY

WASHINGTON, November 22, 1951—1:55 p. m.

3126. No distribution outside Department. Eyes only Asst Secy Perkins.[2] From Martin [3] and Leddy. In light of mtg Nov 21 with Johnson, Defense, ECA and Commerce, Dept believes Linder shld discuss fol three subjs relating Battle Act with Harriman soonest and Perkins shld ask Harriman make no final decisions involving these subjs until after discussions with Linder in Rome.[4]

1. *Publication of list of primary strategic items.* Johnson will recommend Title I, first category (munitions, atomic energy items) be transmitted unclassified. All agencies agree this recommendation.

[1] Drafted by Moline and cleared with Leddy and Camp; repeated to Rome eyes only for Linder.

[2] Perkins and Harriman were part of the United States Delegation which went to Paris for the Sixth Session of the United Nations General Assembly and then to Rome for the Eighth Session of the North Atlantic Council, November 25–28. For documentation concerning the Sixth Session of the UNGA, see vol. II, pp. 1 ff. For documentation on the Eighth North Atlantic Council Session, see vol. III, pp. 693 ff.

[3] Edwin M. Martin, Director of the Office of European Regional Affairs.

[4] In telegram 3125 to Paris, November 22, the Department of State informed Perkins that it had serious reservations about recommendations which it understood were being made to Harriman by his staff regarding the implementation of the Battle Act and urgently requested Perkins to convince him to defer these decisions until he could discuss the problems with Linder in Rome. (460.509/11-2251)

However, Johnson will recommend Title I, second category (primary strategic items in respect of which pres exception possible) also be transmitted with full details on unclassified basis to Cong and countries. Dept continues believe this a gratuitous weakening of security and violation commitment COCOM countries not to publish IL/I which they wish kept secret for security and other reasons. Believe also publication detailed List I may impair efforts of countries such as France and Italy with internal polit difficulties to maintain controls which they have succeeded in establishing partly because in absence details less public clamor against them. Furthermore necessity to publish in detail may prejudice ability of countries such as India institute embargo list. Secy Sawyer also opposes unclassified transmission this list. Dept willing list be sent classified to FonGovts, to chairman six Comites Cong and interested congressmen. Believe this meets requirements Battle Act. Wld deal with public and gen Congressional opinion by means generalized list without specific details. If Harriman inclined support Johnson recommendation re publication believe we shld maintain confidential character of list at least until have had opportunity ascertain from key countries their estimate of effect of publication on ability comply with Act.

2. *Presentation to FonGovts and Cong of short Title II list much less extensive than present IL/II.* Johnson will recommend determination nr 3 be issued comprising only unagreed IA items, rubber and some IL/II items recently agreed by COCOM for IL/I. Reasons given for this determination and presentation to Cong and countries are short list 1) will make clear to Cong we plan do something re tin and rubber and 2) will emphasize to other Govts importance US attaches to strictest control possible on these items. Several items on short list have already been agreed for embargo by COCOM. Virtually all the rest (coal, machinery, rubber, etc.) have been exhaustively explored recently without success. Dept believes nothing can be gained in the way of additional control on such items by initially limiting Title II list to these items. Dept further believes short List II *a*) will tend carry implication with COCOM countries that US now plans reopen embargo question on items recently rejected for embargo and *b*) will be confusing element in negots with COCOM and other countries if, as seems inevitable, we substantially extend this list in relatively near future.

There is no legislative requirement for action on Title II at this time and Dept believes sufficient for public relations to notify Cong and other Govts that in addition to Title I lists an extensive list of items including tin and rubber is being prepared as basis for program of negots with other countries for meaningful control these items.

3. *Exceptions.* Paris tel 3007 Nov. 20 [5] Dept distribution only says "Harriman considers MDAC principles and procedures shld conform so far as possible to those developed in COCOM in order maintain cooperative multilateral program". Dept believes exceptions question most difficult matter of procedure and principle but wld hope that tightening COCOM exception procedure cld be achieved if there were willingness on part USGovt give fullest weight to COCOM exception recommendations when reaching decision on Battle Act exceptions.[6] However Johnson apparently inclined do no more than treat COCOM judgment on exceptions as merely "one of factors to be taken into acct" by Administrator. Though obvious US can not give commitment to be bound by COCOM decision, hope Harriman will agree that desirable to make strong statement on importance US will attach to COCOM views.

Wld hope you can persuade Harriman veto proposal for unclassified transmission List I second category in view strong State opinion, Commerce views and COCOM objections, and delay transmission of any Title II list for present. Also that Harriman will agree desirability of strong statement re weight to be given COCOM judgment on exceptions assuming satisfactory success tightening procedure. [Martin and Leddy.]

WEBB

[5] Not printed.

[6] The following sentence was deleted from the source text at this point before it was transmitted: "Though obvious US can not give commitment to be bound by COCOM decision hope Harriman will agree that desirable to make strong statement on importance US will attach to COCOM views."

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460.509/11-2551 : Telegram

*The Chargé in France (Bonsal) to the Acting Secretary of State*

SECRET NIACT PARIS, November 25, 1951—2 p. m.

3129. For Dept distribution only. Excon. From Linder. Re Deptel 3126 Nov 22 rptd Rome 2372.[1]

A. Discussions with Harriman, Dupre [2] and Tannenwald [3] have produced fol conclusions on reftel questions:

1. Gen publication of primary List (Title I second category) to be confined to non-tech summary (illustrative suggestions follow by separate cable) and to be deferred to Dec 18 to permit advance notification to other govts. Publication of full text regarded unnecessary and harmful without compensating advantages. Text to remain classified Secret and single copy to be transmitted as such to Cong Comite Chairman, available to other Comite members and in Chairman's discretion

[1] *Supra.*

[2] Rear Adm. M. M. Dupre.

[3] Theodore Tannenwald, Jr.

to other interested Congressmen. Further consideration should be given as to whether all govts be supplied full text or whether some be supplied only appropriate parts of text plus summary, depending on extent their interest in particular commodities, and taking transit possibilities into account. COCOM PCs would receive full text. Such partial notification to some govts considered permissible under statute, but Johnson is to discuss point with Battle.

2. Belief that proposed Title II List should be expanded include balance of International List II. Proposed determination on short list, therefore, not signed. Harriman expects Dept carry burden of presenting case for expanded list to other agencies soonest in hope obtaining their agreement. In discussions here, point considered most significant was that short list would prejudice current List II negots in COCOM and would also fail to reflect to Congress recent and imminent successful conclusions on many items. It was felt contents of short list would become known to other PCs, would raise questions as to its significance, and would play down importance of unincluded List II items even though US has for long time sought tightened controls for List II and is currently negotiating such controls.

3. Recognition of importance of matter of COCOM exception recommendations and expression of desire to give them fullest possible weight, recognizing, however, that admin cannot be bound by such recommendations.

B. Lengthy message with Harriman views to above effect being cabled Johnson with request copy be supplied Leddy.

C. Pls supply copy this message to Johnson.

Sent Dept 3129; rptd info Rome 241. [Linder.]

BONSAL

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460.509/11–2551: Telegram

*The Chargé in France (Bonsal) to the Acting Secretary of State*

SECRET NIACT PARIS, November 25, 1951—2. p. m.

3130. No distribution outside Depart. For Leddy, Martin, Camp, eyes only from Linder. Excon. Re Deptel 3126 Nov 20 [*22*].[1]

(1) After lengthy consultation with Harriman, Tannenwald, Dupre (see Embtel 3129 Nov 25),[2] believe satisfactory agreement reached in respect paras 1 and 3 of reftel. As to para 2, reftel, while certain Harriman would be unwilling to delay transmission view attitude of all his advisors, believe he inclined to make determination on extensive Title II List which would include items recommended plus balance of International List II. All this fully set forth in Nov 25 cable from Harriman to Johnson (Harriman–Tannenwald No. 31 via White House system) which we helped draft and you should request since Johnson instructed to transmit to you.

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[1] *Ante*, p. 1216.
[2] *Supra*.

(2) Dept should make every effort convince particularly Defense, ECA and Commerce in respect of expanded Title II List since Harriman may find it difficult, despite his inclinaton, to move contrary to his advisors and strongly-held position of other depts. At Washington interdepartmental mtg last Monday, we did not stress important adverse effect on current COCOM negots if shorter Title II List determined. This we found most cogent argument for convincing Harriman, Tannenwald and Dupre of desirability larger list. They felt expanded list, if finally decided upon, would have to be prepared here in view of time element.

(3) Leddy may also wish see Battle in order insure that he will accept idea not to have primary list given to all govts in detail.

(4) FYI, while Tannenwald agreed to publication of only summary description primary list, believe he inclined strongly toward too detailed definition which may tend defeat our purposes.

(5) Impossible present Belgium dollar import restriction problem. Will endeavor do so in Rome but Harriman so fully occupied during very short stay unlikely opportunity will occur.

Sent Dept 3130; rptd info Rome (for Linder eyes only) 242. [Linder.]

BONSAL

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460.509/11-2851 : Telegram

*The Chargé in France (Bonsal) to the Acting Secretary of State*

SECRET NIACT PARIS, November 28, 1951—8 p. m.

3189. No distribution outside Dept. For Camp and Vernon. Excon. USDel informed today that Harriman has (1) agreed make primary lists available all countries, in view Dept concurrence; (2) agreed leave question of classification open until he returns in second week Dec; and (3) signed title II "short list" as originally prepared, with addition item 2073, owing to strong views expressed by other agencies and Cong Battle. USDel understands Harriman not convinced on merits "short list" as against long and desires discuss matter further when returns.

Longer list II which USDel was asked prepare has been given Tannenwald, who is leaving tomorrow.

Sent Dept 3189, rptd info Rome 257 for Linder.

BONSAL

460.509/12–551 : Telegram

*The Acting Secretary of State to the Embassy in France*[1]

SECRET PRIORITY WASHINGTON, December 5, 1951—7:22 p. m.

3357. Excon. Verbatim text. On Thur and Fri[2] of this week Dept will be informing Missions here of all countries receiving aid of requirements of Battle Act and transmitting to them on a classified basis both Title I lists and Title II short list. Fol is text (unessential words omitted) of *aide-mémoire* to be given all COCOM countries:

"On Oct 26, 1951 MDAC Act of 1951 was enacted. Act establishes it as policy of US to terminate all mil, econ, or finan assistance to any nation that knowingly permits shipment of certain stated categories of strategic commodities to any nation or combination of nations threatening security of U.S., including Union of Soviet Socialist Republics and all countries under its domination. Effective same date, the Act repealed Kem Amendment and Section 117(*d*) of Foreign Assistance Act of 1948, as amended.

In accordance with provisions of Title I of Act, Administrator under Act determined on Nov 25 list of items, known as Category A of Title I, which are to be considered 'arms, ammunition, and implements of war and atomic energy materials' for purposes of Act. A copy of list of Category A items, which has today been made available to you on a confidential basis, will be released publicly in near future. With respect to items included on this list, Act makes termination of all mil, econ, or finan assistance mandatory if a country after Jan 24, 1952 knowingly permits shipment of any of these items to USSR or countries under its domination.

In addition to above-named items, Administrator determined on Nov 25 a further list of items, known as Category B, which are for purposes of Title I of Act 'petroleum, transportation materials of strategic value, and those items of primary strategic significance used in production of arms, ammunition, and implements of war.' A copy of this list of Category B items has been made available to you in a detailed secret version and in a generalized confidential version. Consideration is being given to the question of whether or not it will be necessary later to publish either or both of these versions. Act requires Administrator to recommend to President termination of assistance to any country which after Jan 24, 1952 knowingly permits shipment to a Sovbloc country of any item included in this list. Under Act President may direct continuance of assistance when unusual circumstances indicate that cessation of aid wld clearly be detrimental to security of US. Such exceptions by President must be reported immed to appropriate comites of Cong together with reasons why such action necessary. The US Govt will seek advice of COCOM re merits of any proposed exception on behalf of a COCOM country and will give fullest possible weight to such advice. At same time, it is, of course, clear that US cannot be bound by such advice.

With regard to aforementioned lists, Govt of US requests that prior to Jan 24, and preferably by Jan 1, it be informed of measures which

[1] Drafted by Camp and cleared with Moline.

[2] December 6 and 7.

your Govt will take to apply an embargo on shipments of items appearing on lists A and B from area under its jurisdiction to Sovbloc.

Title II of MDAC Act requires US to negot arrangements by which countries receiving assistance undertake a program of controlling exports to Sovbloc destinations of other items which, in judgment of Administrator, shld be controlled in interest of security. Administrator has designated certain items under Title II which this Govt believes it is particularly important to control. A list of these items has been made available to you on a secret basis. In accordance with provisions of Title II of Act, Govt of the US at a future date will wish to discuss with your Govt arrangements for controlling exports to Sovbloc of these items and of other items falling under Title II.

A list of countries and territories which are deemed for purposes of this Act to comprise 'the Union of Soviet Socialist Republics and all countries under its domination' is appended hereto.

Fol paras are excerpted from a confidential ltr which has been sent by the Administrator to certain Cong comites: (Excerpts too long to tele and not necessary for statement to COCOM)."

Suggest you inform COCOM at earliest date possible, basing statement on points contained *aide-mémoire*. In addition, you may wish point out close similarity between Battle Act lists and Internatl Lists and reiterate US Govt position that in reaching determinations on exceptions COCOM views will be taken into acct. Question of info required on current basis and procedure for handling exceptions still under discussion and no guidance can be given these points at this time.

Lists and other relevant material sent air mail.

Exception to procedure in para 1 is FedRep which will be informed by HICOG in Bonn rather than by Dept in Wash.

WEBB

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*Editorial Note*

In March 1951, Gunnar Myrdal. Executive Secretary of the Economic Commission for Europe (ECE), one of the three United Nations Regional Economic Commissions, began to pursue the idea of convening an *ad hoc* East-West grains meeting sometime during 1951 to follow up on the results of the first meeting of this type held in November of 1950. The United States Delegation to the ECE, supported by the Department of State, opposed Myrdal's suggestion on the grounds that an East-West trade meeting could not be constructive in the present international climate and might be a political fiasco for the West. (Telegram 716 to Geneva, March 14, 340.240/3–151)

When the Sixth Session of the ECE met in Geneva, May 29–June 13, discussions were held concerning a possible trade meeting but the results were inconclusive. In July Myrdal continued his efforts by inviting various members of ECE to send a delegation of experts to Geneva

for preparatory meetings. On July 15 Myrdal was informed by the Soviet Government that they were willing to participate in a preliminary meeting of experts (Telegram 55 from Geneva, July 16, 340.240/7–1651), but the United States agreed to participate only as observers (Telegram 721 to Geneva, July 31, 340.240/7–2751). Experts from the United Kingdom, France, Denmark, Belgium, the Netherlands, Sweden, the Soviet Union, Poland, Hungary, and Romania met in Geneva from August 20 through August 29 to explore the possibilities of East-West trade but the sessions ended with no concrete results. While the Soviets attempted to get agreement in principle to a full trade meeting later in the year, the delegations from Western Europe preferred to confine the next stage to straight bilateral talks and were not willing to commit themselves to a multilateral trade meeting in the near future. (Telegram 208 from Geneva, August 29, 340.240/8–2951)

On November 2 the Soviet Government asked Myrdal to circulate a Soviet request for a meeting of the Trade Committee to all members of ECE. (Telegram 383 from Geneva, November 5, 340.240/11–551) When Myrdal consulted the Governments of the United States, the United Kingdom, and France, he was informed that they believed that nothing constructive would be accomplished by such a trade meeting at this time. These views were communicated to the Soviet Government in an *aide-mémoire* from Myrdal on November 24. (Telegram 420 from Geneva, November 30, 340.240/11–3051) In reply, the Soviet Government informed Myrdal on December 21 that it considered it advisable to postpone the discussion of a conference of European countries on trade until the convening of the Seventh Session of the ECE the following year. (Telegram 465 from Geneva, December 21, 340.240/12–2151)

Documentation concerning the ECE and the unsuccessful attempts by Executive Secretary Myrdal to convene an East-West trade meeting during 1951 is in Department of State file 340.240. For a summary of the activities of the ECE in 1951, see the *Annual Report of the Economic Commission for Europe*, E/2002 (E/ECE/130).

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460.509/12–2251 : Telegram

*The Ambassador in France (Bruce) to the Acting Secretary of State*

SECRET PARIS, December 22, 1951—5 p. m.

3758. Excon. For Dept information following represents some informal views recently expressed here by reps other govts re MDAC implementation:

1. In informal COCOM session chairman invited dels to contribute personal views on points US might take into account in MDAC Act

implementation. USDel expressed willingness but most other dels were reluctant.

*a.* Eventually Fr del expressed following personal thoughts: Belief such discussion, particularly re exceptions procedure, might be helpful but would not be able participate for some time due pressure other work; concerned about brevity of time before act takes effect; about one-fifth of 60-day interim period had elapsed before *aide-memoire* and lists delivered in Washington; further time elapsed before these transmitted to capitals, translated and distributed to operating officials; therefore completion prior commitment inventory impossible for Jan 1 as previously proposed by USDel, and doubtful even by Jan 24; therefore US postponement Jan 24 cut-off date would be highly desirable. (While realizing act establishes this date, USDel raises question whether time problem, which may arise in connection many PC's could be met by some form of temporary blanket exception, perhaps to Feb 15 or 29. This possibility was not indicated to other dels.)

*b.* UK del expressed following personal thoughts: Wondered why most IL II items were left off title II list; hoped US wld consult multilaterally before making any further additions to either primary list or title II list; understood US not entirely satisfied with some results achieved in extensive and lengthy COCOM discussions on quantitative control . . .[1] list II items, but hoped MDAC implementation would not lead to reopening those discussions.

2. Emb officials have informed US del that various Fr FonOff officials connected or familiar with COCOM operation have informally stated: Strong interest in maintaining COCOM effective multilateral organization; considerable doubt whether MDAC Act will be implemented in way to permit this; approach by rep some other PC (unidentified) re possible meeting all PC's except US to discuss their views re continuing function COCOM.

BRUCE

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[1] One word illegible in the file copy.

# THE FORMS OF UNITED STATES FOREIGN ECONOMIC POLICY: THE IMPACT OF THE UNITED STATES DEFENSE EFFORT UPON UNITED STATES INTERNATIONAL ECONOMIC RELATIONSHIPS

*Editorial Note*

By the early months of the year 1951 both the forms and substance of United States foreign economic policy were being profoundly altered by the accelerating large-scale United States defense program generated by the Defense Production Act of June 30, 1950 (64 Stat. 798). In the Department of State itself there was a reorganization of the economic functions of the Department, which is described in the documentation following.

The departmental reorganization simply reflected the ever-increasing impact of the domestic defense production program upon the substance of United States international economic policies. United States foreign economic policy at the outset of the postwar period, 1945–1947, was based on classical concepts relating to international trading and included two basic elements: (1) the bringing about of international economic cooperation through the trade agreements program (the General Agreement on Tariffs and Trade (GATT)); and (2) the modernization of the traditional treaties of friendship, commerce, and navigation (FCN treaties), including the negotiation of conventions relating to double taxation. In 1949 there was introduced at the level of general policy in United States foreign economic policy formulation the concept of economic development assistance: the Point Four program of technical economic assistance (well-established in Latin America as "the IIAA program" (Institute of Inter-American Affairs)). This latter development was also reflected in the introduction of new "investment" articles into the FCN treaty drafts, beginning about 1948.

These same years saw the appearance of the emergency-type, and presumably temporary, foreign economic assistance programs that were launched by the "Marshall Plan" and came to be administered by the Economic Cooperation Administration (ECA). With the onset and stepping-up of the "cold war" and United States efforts to meet this emergency, this emergency-type and "temporary" activity was expanded; and then with the outbreak of the Korean war and the

enactment of the Defense Production Act of 1950 the "economic defense" aspect of United States foreign economic policy moved decisively to the center of policy formulation. The list of articles beginning on page 1230 is illustrative of this. Many of the subjects included in the list are documented in varying degrees of detail elsewhere in this volume and in the regional volumes of *Foreign Relations* for 1951; the indexes should be consulted as the subject matter will appear usually in the context of a political-military subject. For documentation on general policy matters and particularly those relating to the Mutual Security Program, see pages 266 ff.

For documentation on those international economic activities in the field of international trade cooperation (GATT) and economic treaty relationships in which the United States was involved, see pages 1245 ff. For documentation on matters relating to the foreign financial policy of the United States, which straddled both economic assistance/defense-type activities and those of the classical type, see pages 1573 ff.

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*Extract From Department of State "Bulletin," January 29, 1951*

## Departmental Organization for Coordination of Country and Commodity Requirements*

1. *Establishment of Departmental Organization*

*a.* To carry out the Department's responsibilities resulting from the Defense Production Act of 1950 for the review and coordination of country and commodity requirements for foreign economic programs to be submitted to United States Government allocating agencies, the functions and organizational arrangements indicated below are established in the Department, effective this date.

*b.* The Department of State will not establish or determine individual commodity or country requirements, but will review such requirements data developed by other agencies to advise them on foreign policy considerations and will expedite priorities for programs deemed vital to the accomplishment of United States foreign policy objectives.

2. *Relationship to Existing Components*

The officials and units added to existing organizations shall function as integral components of the Department pursuant to their terms of reference and those of other components of the Department as prescribed below and in the Manual of Regulations and Procedures, Volume II, Organization.

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*Effective January 29, 1951. [Footnote in the source text.]

3. *Responsibilities of Economic Affairs Area*

The Assistant Secretary for Economic Affairs shall:

*a.* Screen, assemble and correlate commodity information from the regional bureaus, the Bureau of United Nations Affairs and the Office of Director, International Security Affairs to compare export commodity requirements with available supplies for export.

*b.* Maintain liaison for guidance purposes with claimant agencies on over-all export requirements and represent the Department on advisory committees of the allocating agency (or agencies) to advise on foreign policy considerations.

4. *Responsibilities of the Regional Bureaus*

*a.* Each regional bureau shall:

(1) Obtain recommended requirements by commodity and by country and review such for foreign policy considerations and in the light of other information available to it.

(2) Adjust and assemble commodity requirements for the geographic area for presentation to the intra-departmental Export Requirements Committee, and provide a member of that committee.

(3) Adjust requirements by commodity and by country as necessary because of over-all adjustments made by the Export Requirements Committee and the allocating agency (or agencies).

(4) Maintain liaison as necessary with the appropriate offices of claimant agencies to assure consideration of departmental views in the formulation and implementation of export requirements by such agencies.

*b.* There may be established in each regional bureau a Requirements Officer to supervise or coordinate the performance of the above functions and to provide bureau representation for requirements committee work.

5. *Responsibilities of Bureau of United Nations Affairs*

The Bureau of United Nations Affairs shall be responsible for the functions prescribed in paragraph 4, above, insofar as they are applicable to programs with which it is concerned. The Bureau of United Nations Affairs shall be represented on the Export Requirements Committee to advise on the relationship of particular programs to the operations of United Nations agencies and the appropriate utilization of the facilities of these agencies.

6. *Responsibilities of the Director, International Security Affairs*

The Director, International Security Affairs shall:

*a.* Maintain liaison with the Economic Cooperation Administration on items other than military end use items and with the Department of Defense on military end use items, concerning requirements for materials under mutual defense and international security programs.

*b.* Appoint a representative to the Export Requirements Committee, provide information to this committee on materials requirements for military production in countries with military production programs

and make such representations as it considers appropriate with respect to other requirements which appear to it essential for support of defense efforts abroad.

7. *Establishment of Export Requirements Committee* (*ERC*)

*a.* An intra-departmental Export Requirements Committee is established with representation from each regional bureau, the Office of Director, International Security Affairs, the Intelligence and Economic areas, the Bureau of United Nations Affairs, and other offices as required. The Chairman of this Committee shall be appointed by the Assistant Secretary for Economic Affairs.

*b.* This Committee shall:

(1) Examine information on materials requirements and advise the Assistant Secretary for Economic Affairs on amounts of commodities for each geographic area and total export requirements.

(2) Review all foreign requirements except those established by the Director, International Security Affairs for (*a*) military end use items, and (*b*) for materials directly required for military production if the appropriate allocating agency grants without further review production priorities or export quotas for requirements so established.

(3) Advise (*a*) the Assistant Secretary for Economic Affairs on departmental positions to be taken by the Department's representatives on committees advisory to the Office of Defense Mobilization, the Defense Production Administration or other mobilization control, programming, or allocating agencies, (*b*) the economic area in its representations to the allocating agency (or agencies) and to the claimant agencies on total export quotas, and (*c*) the Requirements Officers of regional bureaus in their representations to claimant agencies on country export quotas.

*c.* The Director, International Security Affairs shall provide the committee with such information concerning requirements mentioned in 7*b*(2) (*b*) above as needed to facilitate its work.

*d.* If agreement is not reached by this committee, the matter shall be immediately referred to the Assistant Secretary for Economic Affairs for decision. If decision can not be reached at the Assistant Secretary level, the matter shall be referred to the Under Secretary in accordance with the prescribed action process.

*e.* Secretariat services shall be provided by the Committee Secretariat.

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*Extract From Department of State "Bulletin," April 23, 1951*

REORGANIZATION IN BUREAU OF ECONOMIC AFFAIRS

(*Released to the press April 10*)

To meet the new requirements in the field of international economic policy raised by this country's large-scale defense program, the Department of State today announced a reorganization in the Bureau of Economic Affairs.

Effective immediately, the Office of International Trade Policy is abolished.

There is established an Office of International Materials Policy and an Office of Economic Defense and Trade Policy.

The Office of International Materials Policy will take over the functions, personnel, and equipment of the Petroleum Policy Staff, the Food and Agriculture Branch, and the Industrial Materials Branch of the Economic Resources and Security Staff.

It will be the purpose of the Office of International Materials Policy, in cooperation with other agencies of the Government; (1) to develop programs and policies which will insure the harmonization of domestic and foreign emergency economic controls designed to stimulate the production of basic materials in short supply; (2) to assure the widest degree of parallel action in the adoption of conservation measures; (3) to provide for the continued export of goods essential to meet the minimum civilian requirements of other parts of the free world; (4) to assure the availability to the United States adequate supplies of basic materials, and (5) to promote the allocation where necessary of materials in short supply.

The Office of Economic Defense and Trade Policy will take over the functions, personnel, and equipment of the Commercial Policy Staff, the International Business Practices Policy Staff, and the Economic Security Branch of the Economic Resources and Security Staff.

It will be the purpose of the Office of Economic Defense and Trade Policy to promote the strength of the free world through economic ties to prevent inflation and to increase the flow of essential trade. The Office will cooperate with other Government agencies to consolidate and strengthen the framework of international cooperation in the field of trade policy and economic treaty relationships to develop greater political unity and to assure long-run economic stability on which a sustained defense program must rest. The Office also will have authority in the Department's jurisdiction over controls of exports to the Soviet bloc.

*Principal Officers*

The principal officers in the new units are as follows:

*a.* Office of International Materials (OMP)
Winthrop G. Brown, acting director
John W. Evans, acting deputy director
Willis C. Armstrong, acting special assistant
Clarence W. Nichols, acting special assistant

(1) Petroleum Policy Staff (PED)
Edwin G. Moline, acting chief
(2) Manufactured Products Staff (MPS)
(3) Agricultural Products Staff (APS)
Francis A. Linville, acting chief
(4) Industrial Raw Materials Staff (IRM)
(5) Metals and Minerals Staff (MMS)
Harlan P. Bramble, acting chief

*b.* Office of Economic Defense and Trade Policy (EDT)
John M. Leddy, acting director
Joseph D. Coppock, acting adviser

(1) Economic Defense Staff (EDS)
(2) Commercial Policy Staff (CP)
Carl D. Corse, acting chief
(3) Business Practices and Technology Staff (BPT)
Roger C. Dixon, acting chief

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*Editorial Note*

Here follows a list of articles on United States international economic activity arising from the accelerating United States defense effort, based on the Department of State's classified weekly publication, *Current Economic Developments*, a document "designed to highlight developments in the economic divisions of the Department of State, and to indicate the economic problems which are currently receiving attention in the Department." (The first issue for the year, January 2, 1951, is No. 286.)

January 8, 1951 (No. 287):
"Economic Effects of Mobilization in the United States" (p. 1)
"Rubber Supply Problems and Proposed Actions" (p. 4)
January 15, 1951 (No. 288):
"International Raw Materials Machinery" (p. 4)
January 22, 1951 (No. 289):
"Committee Created on Foreign Supplies and Requirements" (p. 3)
January 29, 1951 (No. 290):
"International Commodity Groups to be Established" (p. 1)
"US Price Controls Apply to Exports and Imports" (p. 2)
February 19, 1951 (No. 293):
"Demands Increase on US for Wheat" (p. 8)
February 26, 1951 (No. 294):
"International Commodity Committees scheduled" (p. 6)
"Efforts to Solve Shipping Shortage" (p. 11)
March 5, 1951 (No. 295):
"National Defense Production Policy" (p. 1)
March 12, 1951 (No. 296):
"Report of London Rubber Conference" (p. 1)
"International Materials Conference Developments" (p. 4)
April 2, 1951 (No. 299):
"Tin Delegates Fail to Agree on Allocations" (p. 4)
"Major International Economic Developments" (p. 7)
April 9, 1951 (No. 300):
"United States policies [in the economic field] Affecting Soviet War Potential" (p. 1)

April 16, 1951 (No. 301):
"Guidance on Administration of United States Foreign Aid Programs" (p. 10)
April 23, 1951 (No. 302):
"United States Position on International Materials Conference Committees" (p. 2)
"International Materials Conference Developments" (p. 4)
April 30, 1951 (No. 303):
"New Price Ceiling Order on Imports to be Issued" (p. 1)
"Results of Rome Rubber Meetings" (p. 7)
May 7, 1951 (No. 304):
"Procedures for Priorities on Foreign Export Needs" (p. 10)
May 21, 1951 (No. 305):
"Economic Aspects of 1952 Mutual Security Program" (p. 1)
May 28, 1951 (No. 307):
"Proposed Procedure with respect to Kem Amendment" (p. 2)
June 4, 1951 (No. 308):
"Scheme for US Interim Financing of European Military Production" (p. 5)
"US Issues Foreign Allocation Guide" (p. 7)
June 11, 1951 (No. 309):
"Progress Report on the Work of the International Materials Conference" (p. 12)
June 18, 1951 (No. 310):
"Terms for Financing Strategic Materials Development Abroad" (p. 4)
"Effect of Import Tariffs on Defense Program to be Studied" (p. 6)
July 2, 1951 (No. 312):
"Policy on International Commodity Agreements" (p. 5)
July 9, 1951 (No. 313):
"Foreign Accumulation of Commodity Stocks: US Policy (p. 2)
July 16, 1951 (No. 314):
"Developments in IMC Commodity Committees" (p. 1)
July 30, 1951 (No. 316):
"Increasing Production of Strategic Supplies" (p. 1)
August 13, 1951 (No. 318):
"Developments in the IMC Raw Materials Committees" (p. 8)
September 17, 1951 (No. 323):
"Tin Study Group to Meet in Rome" (p. 1)
September 24, 1951 (No. 324):
"Developments in the IMC Raw Materials Committee" (p. 11)
October 1, 1951 (No. 325):
"Foreign Petroleum Development Program" (p. 1)

October 8, 1951 (No. 326):
"Recent Tin Talks" (p. 6)
"Foreign Requests for US Shipping Assistance" (p. 8)
"Report on Implementing Economic Policies toward the Soviet Bloc" (p. 1)
October 15, 1951 (No. 327):
"Mutual Security Act Adopted by Congress" (p. 9)
"Battle Bill Passes: Voids Kem Amendment" (p. 1)
October 22, 1951 (No. 328):
"Status of Action to Relieve Foreign Shipping Shortage" (p. 5)
November 26, 1951 (No. 333):
"Coordinating Committee to Discuss Shipping Control" (p. 1)

# PROGRESS OF THE PROGRAMS FOR THE MODERNIZATION OF THE TREATIES OF FRIENDSHIP, COMMERCE, AND NAVIGATION; AND THE NEGOTIATION OF CONVENTIONS FOR THE AVOIDANCE OF DOUBLE TAXATION [1]

*Current Economic Devclopments*, Lot 70 D 467,[2] No. 302

*Current Economic Developments April 23, 1951*

[Extract]

SECRET

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*US Commercial Treaty Program Moves Ahead*

Signature of the treaty of friendship, commerce and navigation with Colombia has been set for this week, and negotiations with five additional countries—Denmark, Egypt, Ethiopia, Greece and Israel—have developed to such a satisfactory degree that there are prospects of signature within the reasonably near future.

*Colombian Treaty.* In many respects this is the best treaty of this type we have yet negotiated and is much better than we expected to obtain when the negotiation was initiated. Basically it is the same as the treaty negotiated with Uruguay, but has fewer qualifications affecting the establishment provisions. We have obtained a particularly strong provision for compensation for expropriation and there is a good provision on commercial arbitration. Colombia has undertaken to proceed to the abolition of existing discriminatory internal taxes on imported products and despite its past protective attitude toward Flota Gran Colombiana, we have obtained standard provisions against discrimination in shipping matters. The principal concessions that were made by the US are: 1) agreement to allow Colombia to reserve freedom of action to accord preferential customs treatment to Ecuador and Venezuela upon the condition, however, that the most-favored-nation treatment clause should be terminable on short notice: and 2) exception from the national treatment rule as to taxation for income taxes on shipping enterprises.

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[1] For previous documentation relating to these subjects, see *Foreign Relations*, 1950, vol. I, pp. 681 ff. and 688 ff.

[2] Master set of the Department of State classified internal publication *Current Economic Developments* for the years 1945–1969, retired by the Bureau of Economic Affairs.

*Negotiations Nearing Completion.* In the other negotiations which appear to be nearing conclusion, a wide area of agreement has been reached with Denmark and it is expected that satisfactory adjustments can be made on outstanding differences on exchange control and Danish legislation affecting certain important establishment matters, particularly the control of corporations and the practice of professions. During negotiations with Egypt it has been possible to shift from the establishment convention originally insisted on by the Egyptian Government to the comprehensive treaty which constitutes our basic proposal. Moreover, substantial agreement has been reached on the technical level with respect to all matters except exchange controls and the recognition of diplomas granted by US academic institutions in Egypt; further progress depends upon decision at a high political level in Egypt. The Emperor of Ethiopia and his government are pressing for early signature of the abridged treaty of amity and economic relations but at the same time have raised a number of difficult technical negotiating problems and have proposed rather extensive revisions which might develop into serious negotiating issues. The principal of these potential issues are: 1) addition of provisions on exemption from military service; 2) apparent Ethiopian reluctance to grant national treatment to US business enterprises; 3) exchange control; and 4) limitation of the commitment on navigation to most-favored-nation treatment. A wide area of agreement has been reached in difficult, detailed negotiations with Greece, and signature apparently depends on solution of exchange control and OEEC relationship problems. In Israeli negotiations, substantial agreement has been reached upon all questions except that of unconditional most-favored-nation treatment in customs matters. Israel wishes to retain freedom of action on preferential customs treatment for the areas formerly included in Asiatic Turkey and Arabia and it also appears unwilling to accept the standard GATT reservation in its present form. Israel is now considering our proposals based in general on the concept of a short-term most-favored-nation clause.

*Other Negotiations.* The Spanish Government recently indicated an interest in a general treaty on commerce and navigation. Under the circumstances, we are accepting Embassy Madrid's suggestion that exploratory conversations be undertaken in order to determine the extent of interest. In view of the highly restrictive system with respect to foreign enterprises in Spain, it appears that country could accept the basic investment provisions of our standard draft only to a limited degree. There has been no evidence since the Foreign Ministers' meeting in May 1950 that the French Government intends to act upon the treaty project, and since that time it has not been possible to make further high-level representations to the French. The Belgian Government apparently has decided not to proceed with negotiations at

least until the arrangements for the Benelux union have entered into effect. The Netherlands Government has maintained its interest in proceeding independently with treaty negotiations, but it has not yet been able to commence formal negotiations largely because of the need for more extended study of the draft and because of the pressure of other business. Our draft treaty is under study by the interested agencies of the Swedish Government. In the event British authorities are willing to hold exploratory conversations, we have furnished Embassy London a commentary on the British version of the draft FCN treaty.

Argentina is reportedly still studying the draft treaty complementary to the Treaty of Friendship, Commerce and Navigation of 1853, which was developed on an *ad referendum* basis a year ago. In the course of discussions regarding termination of the reciprocal trade agreement, the Costa Rican Ambassador expressed interest in the possibility of treaty negotiations. Accordingly, copies of the current draft have been given to the Ambassador for study. It is expected that a formal proposal for negotiations will be ready for presentation to the Dominican Government within the next few months. The results of the study of the draft treaty undertaken by a special inter-ministerial committee of the Paraguayan Government are not yet known, nor have we received any indication as to the reaction of the Bolivian Government to the treaty project.

Despite the apparent interest of high Australian officials in a treaty, the present Australian Government has raised objections to our draft which are almost identical with those used by the Labor Government in suspending the 1948 negotiations. The draft is still under study, however, and it is likely that the Australian Government's position will be clarified after the forthcoming election. Although all negotiation problems have been settled, the Lebanese Government has failed to proceed with signature of the treaty, apparently because of political uncertainties. The possibility of entering into treaty negotiations has been informally mentioned to the Syrian Government, but there has been no indication of its probable attitude. The Turkish Government is understood to be considering the possibility of negotiations as a result of an informal approach by Embassy Ankara. Embassy New Delhi is withholding presentation to the Indian Government of our concession with respect to screening the entry of US capital, authorized last October, until general relations with India are most favorable, presumably after Congress has acted on the proposed grant of food grain to India. The counter-project submitted by the Government of Pakistan accepts substantial portions of our basic negotiating proposals but raises a serious difficulty by limiting the fundamental commitment as to most-favored-nation treatment for the operation of US

business enterprises in Pakistan. Efforts are being made to induce the Government to reconsider its position.

*Principal Problems in Negotiations.* Of the problems arising in recent negotiations, those related to exchange control have been encountered most frequently. The overwhelming majority of foreign countries still find difficulty in making even limited commitments on withdrawals of profits and capital. Securing national treatment for US business enterprises has been a problem, with several countries placing emphasis upon reducing the commitment to most-favored-nation treatment or writing in crippling exceptions for important fields of economic activity. Difficulties over commercial policy have been encountered frequently also. GATT countries have sought to limit the relationship between the treaty and the various multilaterals, and non-GATT countries have sought to obtain unconditional most-favored-nation treatment, unqualified by reservation of future US policies connected with GATT objectives and also to retain freedom of action as to territorial preferences. We have also met with protectionist navigation policies discriminating against US vessels.

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611.004/4-2451

*Memorandum by the Director of the Office of Economic Defense and Trade Policy (Leddy) to the Assistant Secretary of State for Economic Affairs (Thorp)*

RESTRICTED [WASHINGTON,] April 24, 1951.

Subject: Means for the more effective promotion of the F.C.N. Treaty Program

I submit the following ideas and reactions of officers of EDT regarding possible methods for expediting the development of the program for the negotiation of treaties of friendship, commerce, and navigation. You may wish to pass this on to Mr. Webb.

1. A more active emphasis upon the negotiation of additional treaties is desirable, and holds a promise of being moderately productive. However, the promotion of the treaty program should not be "aggressive" in the sense of indiscriminate pressure upon foreign governments to accept or consider our proposals. Such a method produces antagonistic reactions abroad which are difficult to overcome. Our experience indicates that the most promising policy is to pursue a selective program, always prepared to exploit favorable opportunities to the utmost. Overemphasis upon treaties as sure means for stimulating foreign investment is not good salesmanship. Perhaps our objectives could be best promoted if we should think of the treaty

program not as a campaign for pressing treaties upon all countries, but as a program for seeking out or creating and exploiting favorable opportunities for the negotiation of treaties.

2. It is thought that greater utilization of "personal" diplomacy may make substantial contributions to the advancement of the program. If the higher officers of the Department would utilize their personal contacts with high officers of foreign governments and with influential foreign ambassadors in Washington to create a receptive attitude toward or a personal interest in the negotiation of treaties, the possibility of initiating a number of new negotiations is good. A few examples will illustrate the point. Mr. Willoughby's talks with Mr. Politis of Greece during the trade negotiations at Annecy prepared the way for our present very promising negotiation at Athens. His personal contacts with Mr. Hosais [?] [1] of Pakistan, at the same time may still result in a fruitful negotiation with that country. Our successful negotiation with Uruguay owed a great deal to the friendly relations established by our First Secretary of Embassy, John Hoover, with Mr. Gonzales, head of the economic section of the Uruguayan Foreign Office. Again, Ambassador Garrett's cordial relations with the Irish Minister made a major contribution to the expeditious conclusion of the treaty with Ireland. Informal personal diplomacy of this nature can be quite effective in overcoming the inertia or initial hostility that often obstructs treaty projects when bureaucratic channels in foreign capitals are depended upon. The higher officers of the Department could not only contribute personally in this way, but they could possibly influence some of our ambassadors to make greater efforts along the lines suggested. Even the approach here suggested should be pursued with discrimination, however. There is a considerable list of countries where our proposals, no matter by whom or how made, would fall upon barren soil, and it would be best to avoid making any approach at all to these countries.

3. There are two other points, in addition to preparing a friendly reception for the idea of a treaty negotiation, at which the intervention of high-level Department officials might be helpful. The first is when the technical negotiators have narrowed the issues to a small number of problems of major difficulty. They could then, in some instances, make an important contribution to solving the problems. The second point is at the end of the negotiation when the problem is to induce the high political officers of the foreign government to proceed to signature. The delays at this point are sometimes serious and can result in the necessity for renegotiation, or in the loss of the treaty because of changes in governments or other vicissitudes.

4. It would be desirable to study the possibility of a more systematic exploitation for treaty purposes of the situations that result from the

[1] File copy illegible.

action taken by the United States that is advantageous to foreign countries; e.g., the making of loans, grants, technical aid arrangements, etc. It is not suggested, of course, that an effort be made to purchase treaties by means of loans, etc. However, the making of such concessions to foreign governments creates psychological or moral situations favorable for the initiation of treaty negotiations or for their prompt conclusion.

5. In general, there is no need for any high officer to give his personal attention to the detailed negotiation of these treaties. Usually ninety percent of a treaty can be worked out by the technicians without undue difficulty. The legal and policy limitations under which the Department works makes it necessary for the treaty technicians and the legal officers to exercise close control over all discussions. In other words, there is very limited leeway in which negotiators may work. If our Embassy abroad has a reasonably alert and intelligent commercial counselor and a sympathetic and forceful Ambassador, the negotiating situation is likely to be ideal. In case the former type of officer is lacking, an experienced technician can usually be sent from the Department.

6. It is not feasible to attempt to prepare statistical or other factual data to demonstrate the effectiveness of an FCN treaty in encouraging investment. Two of the three new treaties that have been ratified since World War II are with countries poor in natural resources, and for that and other reasons not particularly attractive to investors. The treaty with China is not effective, for obvious reasons. The pre-war FCN treaties do not provide any basis for correlation with economic development. A correlation of the growth of investment with the existence of legal and institutional climates favorable to investment, such as the treaties are intended to promote, would probably be a more practical exercise. It is doubtful that it would be very useful as an argument for treaties, however, because of the retardation of foreign investment by economic factors during the past two decades.

7. Aggressive propaganda in support of the treaty program either abroad or at home is not desirable. The sort of statements of purposes and aims that would appeal to practical businessmen would sound the wrong note abroad where nationalistic and communistic elements misrepresent our treaties as instruments of imperialism. Our treaty with China was made much use of by the communists in appealing to the anti-foreign sentiments of the Chinese people. In Italy, the communists somehow obtained a copy of our confidential proposals and made great propaganda out of them. In Uruguay a very aggressive communist campaign against the treaty has been in progress since signature.

611.004/12-2951

*Memorandum by the Assistant Secretary of State for Economic Affairs (Thorp) to the Assistant Secretary of State for Congressional Relations (McFall)*

[WASHINGTON,] December 29, 1951.

Subject: Early Senate Consideration of Commercial Treaties Signed During 1951.

During the past year, the U.S. has signed treaties of friendship, commerce and navigation with Colombia (April 26), Greece (August 3), Israel (August 23) and Denmark (October 1); a treaty of amity and economic relations with Ethiopia (September 7); and an agreement with Italy supplementing the treaty of friendship, commerce and navigation of 1948 (September 26). Two of these instruments have already been transmitted to the Senate: those with, respectively, Colombia (Executive M) and Israel (Executive R), 82d Congress 1st session. The Report and Message on the Ethiopia treaty is now ready to be sent to the Secretary and White House for transmittal; and it is expected that the other three will very shortly be ready for transmittal.

These six instruments were all negotiated in connection with the Department's program of extending and modernizing the treaty protection of American citizens, corporations, capital, trade and shipping abroad, with special emphasis on establishing conditions favorable to private investment. The importance attached to keeping this program moving forward suggests the eminent desirability of Senate action on these six instruments during the 1952 session. It seems likely that this result might most probably be accomplished if the Foreign Relations Committee were able to schedule them for relatively early consideration, before the Senate becomes preoccupied with other items on its agenda or with pressure for adjournment. The major treaties of this group are of a type which has already been given Senate consideration and approval in connection with its advice and consent to the ratification of the treaty of friendship, commerce and navigation of 1948 with Italy (Executive E, 80th Congress, 2nd session), the treaty of friendship, commerce and economic development of 1949 with Uruguay (Executive D, 81st Congress, 2nd session), and the treaty of friendship, commerce and navigation of 1950 with Ireland (Executive H, 81st Congress, 2nd session). It is not believed that any of them is controversial, or that consideration of them is likely to impose a great burden on the Committee. I should therefore appreciate your seeing what can be done to have them expediently scheduled for action.

*Memorandum by Mr. Frederick Livesey, Adviser, Office of Financial and Development Policy*[1]

[WASHINGTON,] November 23, 1951.

## RECENT DEVELOPMENTS IN U.S. TAX TREATIES AND INTERNATIONAL PHASES OF U.S. TAX LEGISLATION

### SENATE CONSENT TO 12 TAX TREATIES

The Senate on September 17, 1951 gave its advice and consent to the ratification, subject in most cases to one or more specific reservations, of 12 bilateral treaties with 7 countries, and 2 bilateral supplementary protocols with two of them, for the avoidance of double taxation.

The instruments and countries are:

In regard to income taxes:
1) Convention with South Africa, signed December 13, 1946, and supplementary protocol, signed July 14, 1950; 2) Convention with New Zealand, signed March 16, 1948; 3) with Norway, signed June 13, 1949; 4) with Ireland, signed September 13, 1949; 5) with Greece, signed February 20, 1950; 6) with Canada, signed June 12, 1950; and 7) with Switzerland, signed May 24, 1951.

In regard to estate taxes:
1) Convention with South Africa, signed April 10, 1947, and supplementary protocol signed July 14, 1950; 2) Convention with Norway, signed June 13, 1949; 3) with Ireland, signed September 13, 1949; 4) with Greece, signed February 20, 1950; and 5) with Canada, signed June 12, 1950. (The conventions with Canada are supplementary to the existing income tax convention signed March 4, 1942 and estate tax convention signed June 8, 1944.)

### FURTHER ACTION ON THE TREATIES

The other parties to the conventions and protocols had already ratified them and empowered their Washington Embassies to exchange ratifications when the United States' ratification was ready. Senate reservations made it impossible to accept the prepared instruments of ratification except those of the estate tax conventions with Ireland and Canada. The Department of State promptly requested the other governments to exchange ratifications of the other conventions in a form which will include acceptance of the respective Senate reservations. Switzerland exchanged ratifications of the income tax convention of May 24, 1951 in this form September 27 and Canada exchanged ratifications of the income and estate tax conventions of June 12, 1950 on November 21, 1951, bringing into force the conventions amended as stipulated in the Senate reservations. Other governments have not

[1] Source text was an attachment to unclassified Foreign Service Serial No. 1149, December 12, 1951, entitled "Recent United States Tax Legislation and Treaties".

yet formally communicated their attitudes. No indication has been received that all the conventions will not eventually be ratified. In most cases failure to exchange ratifications before January 1, 1952 would delay the effectiveness of the conventions until that date.

SENATE RESERVATIONS

A Senate Foreign Relations Committee report of August 6, 1951 urging advice and consent to the ratification of all the conventions and protocols (Executive Report No. 1, 82nd Congress, First Session) submitted and discussed the reservations. They are in part new developments and in part reaffirmations of policies previously applied by the Senate in acting on certain earlier treaties.

(i) *Mutual Assistance in Tax Collection.*

The Committee report found the collection provisions in several conventions too broad, remarking that "as a general rule, it is not believed wise to have one government collect the taxes which are due to another government."

In *income tax conventions* the Senate accepted the collection provisions of the South African, Greek and Norwegian conventions subject to the understanding that each of the parties to a treaty may collect the other's tax solely in order to insure that the exemptions or reduced rates of tax provided under the convention shall not be enjoyed by persons not entitled to such benefits. The Senate report stipulated that collection provisions in the pending *estate tax conventions* (such provisions were included in the conventions with South Africa, Norway and Greece) be eliminated entirely, with the exception that the provision of the South African convention as amended by the supplementary protocol be accepted subject to the understanding that its application will be limited to those cases in which the estate of a decedent claims a credit under Article V of the convention.

(ii) *Taxation of Public Entertainers.*

The income tax conventions with South Africa, New Zealand, Canada and Switzerland contain provisions varying in detail for reciprocal exemption, entire or limited, of compensation for personal services performed by residents of one contracting state who are temporarily within the taxing state for a period or periods not to exceed 183 days in the taxable year but with a specific exception that the exemption shall not apply to profits or remuneration of public entertainers such as stage, motion picture or radio artists, musicians and athletes. The Senate reservation declines to accept this exception. This reaffirms a position first taken in a Senate reservation accepted in the ratification of the US–UK convention of 1946. South Africa, New Zealand, Canada and Switzerland declined to accept this position in negotiating their respective conventions with the United States on

which the Senate has just acted. Switzerland and Canada have now accepted the reservation.

(iii) *Capital Gains and Accumulated Profits Provisions in Convention With Ireland.*

A reservation to the Irish income tax convention declines to accept articles relating to capital gains and to accumulated profits similar to articles accepted in the US–UK income tax convention of 1946 but subsequently rejected by Senate reservation from income tax conventions with Denmark and the Netherlands which the Senate approved in June 1948. They were thereafter inserted in the convention with Ireland only because Ireland insisted that much of the value of the tax treaty to Ireland would be offset unless its terms were kept almost identic with those in the US–UK convention.

### STATUS OF TAX TREATY NEGOTIATIONS

The Senate vote of September 17 was a clearance, subject to the above reservations, of all tax treaties which were ready for consideration by the Senate Foreign Relations Committee on June 28, when the Committee voted its own recommendations. At the request of Belgium, no action was taken on the treaty signed with that country October 28, 1948 and sent to the Senate March 12, 1949. It is expected that substantial amendments to this treaty will be submitted in a supplementary protocol negotiated in May 1951 and now under review in the Treasury. An estate tax treaty with Switzerland signed July 9, 1951 was sent to the Senate August 2. Draft treaties negotiated with Israel and Finland are also now under review in the Treasury. An Italian negotiating delegation initialled drafts of income and estate tax conventions at Washington November 21. A Japanese delegation will open discussions at Washington about December 12.

### INTERNATIONAL ITEMS IN REVENUE ACT OF 1951

In the field of domestic legislation, the Revenue Act of 1951, approved October 20, amends previous law by provisions which may be important aids to American private enterprise and investment abroad. These include three of the four liberalizations of existing law which were recommended to the Senate in 1950 as Point IV tax points.

### FOREIGN TAX CREDIT EXTENDED TO MINORITY STOCK HOLDINGS IN A FOREIGN CORPORATION

Section 131(*f*) of the Internal Revenue Code has permitted a domestic corporation holding a majority of the voting stock of a foreign corporation to receive foreign tax credit for income taxes paid by the foreign corporation to a foreign government with respect to the profits of the foreign corporation which are paid as dividends to the domestic corporation. The new act removes the requirement of majority owner-

ship. It provides that the foreign tax credit is to be allowed if the American corporation owns at least 10% of the voting stock of the foreign corporation. Moreover, under previous law, if a foreign subsidiary of an American corporation owned all of the voting stock of another foreign corporation, the dividends received by the American corporation with respect to the earnings of the second subsidiary were eligible for foreign tax credit. The new law extends the foreign tax credit to apply in the case of dividends received by American corporations in case of majority ownership, but not complete ownership, of the second foreign subsidiary by the first foreign subsidiary. The Senate Finance Committee report commented that these amendments are expected to result in a revenue loss of $30 million in a full year's operation. This is the eliminated double taxation.

*Effective dates.* The amendments to Section 131(*f*) are effective with respect to dividends received during taxable years beginning after December 31, 1950.

### FOREIGN ESTATE TAX CREDIT ESTABLISHED

The 1951 act for the first time creates in US law a foreign estate tax credit comparable, so far as it goes, to the income tax credit which has been law for thirty years. The US has collected estate tax with respect to the entire estate, wherever situated (except real property outside the US), of decedents who are either domiciled within the US or citizens of the US. The new law allows a credit in the case of US citizens and residents where double taxation arises from the US imposing estate tax on property situated within that country. In the case of a decedent who was a resident but not a citizen of the US, the credit is to be allowed only if the country of which the decedent was a national, in imposing death taxes, allows a similar credit in the case of a citizen of the US resident in such country.

According to the Finance Committee report the estate tax credits are allowable (under principles developed under the foreign income tax credit), not only for death taxes of foreign states in the international sense, but also for such taxes of possessions or political subdivisions of foreign states. Where credit for a particular foreign death tax is authorized by treaty, there is to be allowed either a credit computed under the treaty or that computed under the Internal Revenue Code, as amended, whichever is greater. For example, if a portion of the estate of a citizen of the US is situated in the Province of Quebec and is subjected to Dominion and Provincial succession duties, the credit for the Dominion duty computed under the estate tax treaty with Canada, or the credit for the Dominion and Provincial duties computed under the Code, whichever is greater, is to be allowed.

*Effective date.* The estate tax credit (which is written into sections 813, 936, and 927 of the Internal Revenue Code) is effective with respect to estates of decedents dying after October 20, 1951.

The amendments will not eliminate all double taxation of estates, as the income tax credit has not eliminated all double taxation of incomes. Scope for estate tax treaties with some countries may still be found.

### EXEMPTION OF INCOME EARNED ABROAD

The new law attempts to increase the effectiveness of the tax exemption incentive which our law has offered to US citizens to accept employment abroad. Section 116(*a*) of the Internal Revenue Code has exempted from income tax income earned abroad by US citizens who are bona fide residents in a foreign country or countries during the entire taxable year. In application this has denied exemption to persons during their first year abroad unless they became bona fide residents as of January 1. It was also difficult for a person who was abroad on a fixed term contract and maintaining a family in the US to establish that he was a bona fide resident in a foreign country. The new law provides two alternatives: 1) a person who establishes that he has been a bona fide resident of a foreign country or countries for "an uninterrupted period which includes an entire taxable year" shall be exempt from tax on amounts received if such amounts constitute earned income attributable to such period; and 2) a person "who during any period of 18 consecutive months is present in a foreign country or countries during at least 510 full days in such period" is exempt from tax on amounts received if such amounts are earned income attributable to such period. A supplemental provision (in Section 1621 of the Internal Revenue Code) allows employers to refrain from collecting "pay-as-you-go" withholding tax when it is reasonable to believe that this exemption will apply. The limitation "except amounts paid by the United States or any agency thereof" continues to apply throughout.

*Effective date.* The amendments to Section 116(*a*) are effective for taxable years beginning after December 31, 1950. The amendment to Section 1621 will be applicable to wages paid on or after January 1, 1952.

# MATTERS RELATING TO THE GENERAL AGREEMENT ON TARIFFS AND TRADE (GATT)[1]

## I. THE TORQUAY PROTOCOL OF APRIL 21, 1951: THE ARTICLE XXVIII NEGOTIATIONS WITH FRANCE AT TORQUAY; THE NEGOTIATING IMPASSE WITH THE COMMONWEALTH COUNTRIES AT TORQUAY REGARDING THE QUESTION OF IMPERIAL PREFERENCES

394.31/4–1651

*Memorandum by the Chairman of the Interdepartmental Committee on Trade Agreements (Corse),[2] to the President*

SECRET

TORQUAY, April 9, 1951.

Subject: Request for Approval of Results of Torquay Tariff Negotions

The Interdepartmental Committee on Trade Agreements herewith requests your approval of the results of the Torquay Conference which has been held, under the auspices of the countries parties to the General Agreement on Tariffs and Trade, for the purpose of arriving at agreement on tariff concessions to be applied under the General Agreement.[3] If you approve, the United States will sign, on April 21, the

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[1] Continued from *Foreign Relations*, 1950, vol. I, pp. 692 ff.

[2] The Interdepartmental Committee on Trade Agreements (TAC) was the highest level policy-formulating body in the Executive Branch on United States foreign trade policy and at this time consisted of a member of the United States Tariff Commission and representatives designated by the Secretaries of State, Agriculture, Commerce, Labor, Defense, and Treasury and the Administrator for Economic Cooperation. The State representative served as chairman. TAC was at Torquay during the Torquay negotiations.

The Torquay Conference began on September 28, 1950. For information regarding the United States Delegation, see Department of State *Bulletin*, October 2, 1950, pp. 553–555. In the 1951 stage of the conference Corse, permanent Vice Chairman of the Delegation, functioned as Acting Chairman. (Willard L. Thorp, Assistant Secretary of State for Economic Affairs, was the Delegation Chairman and the Alternate Chairman was Winthrop G. Brown, Director, Office of International Trade Policy, Department of State.)

[3] For text of the Protocol of Provisional Application of the General Agreement on Tariffs and Trade (GATT) concluded at Geneva, Switzerland on October 30, 1947, see Department of State Treaties and Other International Acts Series (TIAS) No. 1700 (two volumes) or 61 Stat. (pts. 5 and 6). The many agreements that modify, rectify, or provide for accession to the General Agreement are printed as appropriate in the sources cited and also from 1950 in *United States Treaties and Other International Agreements* (UST). The *United Nations Treaty Series* also includes both the basic agreement and subsequent protocols. For a comprehensive analysis of the basic agreement of 1947, see Department of State Publication No. 2983, *Analysis of the General Agreement on Tariffs and Trade* (Washington, Government Printing Office, 1947). For other information relating to the General Agreement and United States adherence thereto, see *Foreign Relations*, 1949, vol. I, p. 651, footnote 2.

instruments embodying the results of the negotiations, including principally:

1) The Torquay Protocol containing the tariff concessions negotiated at Torquay among 34 countries and containing an amendment to the General Agreement continuing on the original basis for an additional period tariff concessions previously granted.
2) Decisions agreeing to the accession of six countries which have negotiated with the parties to the Agreement at Torquay.

By signature of the Protocol the United States will accept the results of the negotiations and undertake to give effect on June 6, or on later dates following such an undertaking by other governments, to tariff concessions negotiated with the following countries:

*a) Contracting parties*
Belgium, Brazil, Canada, Denmark, Dominican Republic, France, Indonesia, Italy, Luxembourg, Netherlands, Norway, Sweden.
*b) Countries which have negotiated for accession*
Austria, Germany, Korea, Peru, Turkey.

Concessions obtained and granted by direct negotiations in which the United States participated are contained in Annex A.[4] Schedules containing all concessions to be granted by each country are contained in Annex B.[4]

Signature of the Protocol will also constitute acceptance of the obligation to maintain until January 1, 1954, with the usual escape clauses unaffected, concessions previously granted. It will also constitute acceptance of the modifications, withdrawals, and compensations negotiated by certain countries at Torquay.

Signature of the decisions will constitute a vote in favor of accession by each of the countries named in (*b*) above and by the Philippines, which also negotiated at Torquay. The United States is prevented, by the Philippine Trade Act, from entering into a trade agreement with the Philippines. We did not therefore negotiate with this country and have indicated that Article XXXV of the General Agreement will be invoked in order to prevent the agreement from applying as between the United States and the Philippines; there is no legal bar, however, to voting in favor of accession by the Philippines.

In terms of trade coverage, the United States has secured at Torquay new direct concessions on United States exports valued at over one billion dollars. Additional trade will benefit from concessions granted by third countries in negotiations among themselves. To secure these new concessions, the United States bound or reduced duties on prod-

[4] Not printed.

ucts imports of which from the respective negotiating countries amounted to about $270 million in 1949. Imports of these same products from all countries amounted to $478 million in the same year. Summary tables containing trade data are contained in Annex C.[5]

The firming up of most of the concessions previously granted at Geneva and Annecy benefits an export trade of some two and a half billion dollars (partly overlapping with the trade on which new concessions were obtained at Torquay). Considerable adjustments were made by certain countries in their schedules of concessions prior to their acceptance of this undertaking, but in all cases the United States secured adequate compensation in the form of new concessions for all concessions of interest which were withdrawn or modified. For this firming up of old concessions the United States granted only a reciprocal guarantee to continue our Geneva and Annecy concessions subject to the usual safeguards.

There is no dissent by any member of the Interdepartmental Committee to any of these recommendations. Since no agreement was reached with the United Kingdom, Australia, New Zealand, South Africa, India or Cuba, part of the authority to grant concessions which you have previously approved has not been used, and some of the most controversial concessions have not been made, including the principal concessions contemplated on the following: wool, woolen textiles, cotton textiles, earthenware and china, leather goods. All of the concessions for which approval is sought are within the limits of authority previously granted.

A fuller description of the results of the Conference and of the reasons for some of the major decisions taken is contained in Annex D.

CARL D. CORSE

Annex D

*Memorandum by the Interdepartmental Committee on Trade Agreements*

SECRET [TORQUAY, April 9, 1951.]

RESULTS OF THE TORQUAY NEGOTIATIONS

The Third Set of Tariff Negotiations under the auspices of the Contracting Parties to the General Agreement on Tariffs and Trade convened at Torquay, England on September 28, 1950 for the purpose of furthering the reduction of tariff barriers by multilateral agreement within the framework of the General Agreement on Tariffs and Trade

[5] Not printed.

of October 30, 1947.[6] These negotiations are now in their final stage and if their results are approved by the President, the United States will sign the Torquay Protocol on April 21, thereby accepting these results and obligating the United States to give effect to its concessions on the forty-sixth day following signature or on such later dates as the countries with which individual concessions were negotiated give effect to their concessions.

As were past conferences of this kind, this conference was conducted by means of a series of simultaneous bilateral negotiations among pairs of participating countries, the bilateral negotiations in this case numbering about 150. At the close of each successful negotiation, the concessions granted by each country were circulated to all other participating countries for inspection of overall results. After the close of this multilateral stage, which is now in progress, each country's concessions to all others, with any appropriate modifications, will be incorporated into the agreement in the form of a single list of concessions which will be granted to all parties to the agreement.[7]

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[6] As indicated, the Torquay Conference constituted the third "round" of tariff negotiations to be carried on within the framework of the General Agreement (not to be confused with "sessions" of the Contracting Parties (CP's when used collectively) to GATT, which met often concurrently with the tariff negotiations, the delegations to the tariff negotiating round and the CP's session being one and the same). The first "round" of tariff negotiations was held at Geneva during April–October 1947 when 23 countries successfully concluded negotiations and became the original contracting parties to the agreement. The second "round" was held at Annecy, France from April–August 1949, when 10 additional countries were accepted for accession to GATT. For documentation regarding the Annecy negotiations, see *Foreign Relations*, 1949, vol. I, pp. 651 ff. For detailed information regarding the tariff negotiations conducted at Annecy, see Department of State Publication No. 3651, *Analysis of Protocol of Accession and Schedules to the General Agreement on Tariffs and Trade Negotiated at Annecy, France, April–August 1949* (Washington, Government Printing Office, 1949).

[7] Tariff concessions (on specific products) which might be negotiated under GATT were of several types: (1) reductions in specified rates of customs duty, or "bindings" of such rates—a guarantee against increases of rates during the life of the agreement; (2) the provision of a "low duty" period, often to be preferred, against a general rate reduction, and variations thereof; (3) the binding of the duty-free status of an article—a guarantee not to impose a tariff on the article if it is being admitted duty free at the time the agreement is concluded; application of a rule adopted by the CP's to the effect that the binding of a low rate of duty may be accepted as a concession in compensation for a reduction in a high rate of duty. United States law provided for very specific negotiating limits: the United States in a trade agreement might not increase or (more significantly) decrease a tariff rate by more than 50 percent of the rate existing on January 1, 1945 (the Trade Agreements Act of 1934 as amended in 1945 (July 5, 1945), 59 Stat. 410).

Certain basic methods governed the negotiations. They were conducted on a selected product-by-product basis, and governments were free not to grant concessions on particular products. No government was required to grant unilateral concessions, or to grant concessions without receiving adequate concessions in return. Special rules regulated negotiations on products to which a preference applied, contingent upon whether reductions were in the most-favored-nation rate, the preferential rate, or both. Dominating all negotiations was the principal supplier rule, a cardinal principle of United States policy: it was intended that the countries participating in the 1950 negotiations would propose for negotiation only those of their products of which they were or were likely to be the principal suppliers individually or collectively to the countries from whom concessions were asked.

Three groups of bilateral negotiations were carried on at Torquay: (1) negotiations by countries already parties to the General Agreement for the purpose of putting concessions granted at Geneva in 1947 and at Annecy in 1948 on a firmer basis for an additional three years; (2) negotiations among the contracting parties for new concessions among themselves, beyond those previously negotiated at Geneva or Annecy; (3) negotiations by six new countries which wish to accede to the agreement, such negotiations being both between themselves and with contracting parties.

The countries which participated are (*a*) the following *contracting parties:* Australia, Belgium, Brazil, Canada, Ceylon, Chile, Cuba, Czechoslovakia, Dominican Republic, Denmark, Finland, France, Greece, Haiti, India, Indonesia, Italy, Luxemburg, Netherlands, New Zealand, Norway, Pakistan, Southern Rhodesia, Sweden, Union of South Africa, United Kingdom and United States; (*b*) the following *acceding countries:* Austria, Germany, Korea, Peru, Philippines and Turkey; and (*c*) Uruguay, which negotiated for accession at Annecy but did not sign the Annecy Protocol in time to accede in accordance with the terms of that Protocol.

Before agreeing to the firming up of Geneva and Annecy concessions, several countries negotiated with the other contracting parties for the purpose of modifying or withdrawing some of their concessions and making compensatory concessions. Although not initiating any action of this kind, the United States participated in the negotiations for this purpose with twelve countries, namely Benelux, Brazil, Chile, Cuba, Denmark, Finland, France, Haiti, Italy, New Zealand, South Africa, Uruguay. All of these negotiations were concluded except one of the items still under discussion with Cuba.[8]

Negotiations directed to the mutual exchange of new concessions were undertaken with the following 17 contracting parties: Australia, Belgium, Brazil, Canada, Cuba, Denmark, Dominican Republic, France, India, Indonesia, Italy, Luxemburg, Netherlands, New Zealand, Norway, Sweden, United Kingdom. Negotiations were however not completed with the following five: The United Kingdom, Australia, New Zealand, Cuba and India. New negotiations were also

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[8] These were the so-called Article XXVIII negotiations. Article XXVIII of the General Agreement specified that concessions initially negotiated between participating governments could be modified or terminated by the granting government after January 1, 1951 (after appropriate consultation). Accordingly, this rule regulated the life of concessions granted at Geneva in 1947 and Annecy in 1949. The Contracting Parties at their Fourth Session in Geneva in February–April 1950 recommended that the January 1, 1951 date be extended to January 1, 1954, in effect "re-binding" the Geneva and Annecy concessions and putting them on the same basis as new concessions to be made at Torquay which would be valid until 1954. It was the intent of the Fourth Session CP's that such a re-binding at Torquay would if desired be preceded by limited adjustments in the Geneva and Annecy schedules. In fact, the United States was to insist that all such "Article 28 negotiations" be completed before this government entered upon any negotiations at Torquay for new concessions. Documentation on these matters follows.

undertaken and successfully completed with all of the acceeding countries except the Philippines, with which the United States may not, by domestic law, negotiate a trade agreement. To comply with the requirement of the Philippine Trade Act to this effect, the United States not only refrained from bilateral negotiations but intends to notify the contracting parties that, while welcoming the Philippines as a party to the agreement, it is necessary to invoke Article XXXV of the agreement to prevent it from applying between the United States and the Philippines because of this Act.

Results of each of these categories of negotiation are discussed in succeeding sections.

### I. EXTENSION OF EXISTING CONCESSIONS

As drafted at Geneva in 1947, the General Agreement provided that concessions granted would not be withdrawn except in various specified circumstances until January 1, 1951, after which they could be withdrawn by a simple process to be preceded by renegotiation. When plans for the Torquay Conference were formulated, it was decided that, although these existing concessions might continue in force after January 1951, it would be desirable to obtain agreement by the parties to substitute the later date of January 1, 1954 and so assure a continuation of concessions free from the rights under Article XXVIII for an additional period.

This change, which involved an amendment of Article XXVIII of the Agreement, will have been accomplished by the Torquay Conference when two-thirds of the parties (the required majority) accept the amendment which has been included in the Torquay Protocol, to be opened for signature on April 21. A declaration, by which countries agree not to invoke Article XXVIII until January 1954 will also be opened for signature, to cover the period prior to the entry into force of the amendment.

Before accepting the extension of time on concessions previously granted, a number of countries indicated that they would have to exercise their right under Article XXVIII as originally drafted to withdraw or modify certain concessions which they felt they could no longer maintain. In accordance with that Article, however, they were ready to negotiate (attempt to agree) with the parties with which such concessions had initially been negotiated and with others substantially interested as to what other equivalent concessions they should grant in exchange. In all cases the United States was able to obtain substitute concessions which the Committee believes constitute adequate compensation. It may therefore be said that the tariff reduction previously achieved has not been impaired in any of these negotiations.

Not all countries exercised their right to renegotiate particular items prior to accepting amendment of Article XXVIII. After examination of the cases in which interested parties in the United States had urged that we exercise this right, none were found to justify the risk that any use of the right would create widespread demand for similar treatment of many other products. The United States did not, therefore, exercise this right with respect to any items, although it did renegotiate a few minor technical adjustments under another procedure. Canada also refrained from exercising this right, and the United Kingdom made only very limited use of it. Australia, Burma, Ceylon, Czechoslovakia, Greece, India, Liberia, Pakistan, Southern Rhodesia also refrained from Article XXVIII action on any item.

The total coverage of United States exports on which concessions were obtained at Geneva is, in terms of 1949 export trade, something like 2 billion dollars. At Annecy we obtained commitments on another half billion dollars worth of export trade. With relatively minor exceptions discussed below, the undertaking to continue the favorable treatment specified in the General Agreement for at least another three years will thereby have been secured. Even at the cost of somewhat more extensive renegotiation than was contemplated it is a major achievement to have firmed up these important guarantees for United States export trade.

The largest group of concessions originally negotiated with the United States which eventually were notified under this article were Cuba's concessions to the United States on a group of articles including cotton and rayon textile items on which concessions had been granted to the United States at Geneva.

The trade in question was valued in 1949 at about $33 million (imports into Cuba of U.S. merchandise), or some 8 percent of total imports into Cuba from the United States. The United States originally undertook to renegotiate with Cuba the rayon and cotton textile items which made up the bulk of this trade as a result of Cuba's representations at Annecy that she faced a crisis in her textile industry. Long negotiations at Torquay failed, however, to result in the offer by Cuba of rayon textile rates which the United States was willing to accept. Thereupon Cuba decided to modify rayon rates in question under the procedure of Article XXVIII. This move was one which Cuba was fully entitled to make; the rates thus set were fixed by unilateral action of Cuba, and the United States did not accept them. We did, however, accept compensation for this action which was separately reported to you in March and which the Committee believes offers satisfactory alternative opportunity for expansion of American trade.

Subsequently, for technical reasons, Cuba decided to transfer to Article XXVIII the modifications in cotton textile rates and the com-

pensation therefor which had been agreed upon with the United States, so that all of these negotiations as well as negotiations on relatively minor items notified from the start under Article XXVIII have now been effected under a single procedure. This agreement was completed at Torquay, subject to your approval.

Still later, upon representations by the United States that Cuban treatment of American rice is not in accordance with Cuba's agreement obligations, Cuba notified this concession also under Article XXVIII and negotiation in regard to it will be carried forward after Torquay under a special procedure adopted for such cases.

The next largest group of concessions initially negotiated with the United States and modified or withdrawn under Article XXVIII were those of France which, as initially proposed, affected a trade valued at over $20 million, or 10 percent of the trade covered by France's Geneva concessions on dutiable items. The items were all in the machinery and equipment fields, as were the compensatory concessions finally obtained after extended negotiations. In the negotiations the scope of proposed unfavorable action by France was considerably reduced, and significantly more compensation was obtained than was first offered. The Committee believes that good compensation is now offered.

South Africa originally wanted to withdraw or modify concessions on a trade valued at about $40 million but was persuaded to continue the most important part of the concession on agricultural tractors, which accounted for two-fifths of the trade involved, and to give a binding of the duty on automobile parts in exchange for other modifications which will allow South Africa somewhat greater protection for developing light industries, while continuing favorable treatment on American export specialties.

The other Article XXVIII negotiations were considerably less serious, and it is believed that in all cases in which United States trade was involved adequate compensation was obtained, whether the concessions involved were initially negotiated with the United States or some other country. The texts of the Article XXVIII agreements in all of these cases are contained in Annex A.

### II. NEW NEGOTIATIONS WITH CONTRACTING PARTIES

Of the fifteen negotiations with seventeen existing contracting parties (one negotiation with all three Benelux countries), ten were successfully concluded. Five were terminated without agreement, namely those with the United Kingdom, Australia, New Zealand, Cuba and India.

Of the agreements obtained, the best by far is with Canada, both qualitatively and quantitatively. A good though much smaller agreement was also obtained with France. Of the others, small agreements

were concluded with Indonesia and Brazil and five rather small agreements were concluded with other European countries. The latter were limited partly because we had negotiated only two years ago with some of them (Denmark, Italy, Sweden), partly because such countries as Benelux, Norway, Sweden and Denmark have relatively low tariffs in which they have already given concessions. They now hesitate to give more partly to maintain some domestic protection and partly because they feel bound to secure first some reduction in the existing disparity of tariff levels between themselves and other European countries with high tariffs, notably France and Italy. The coming of the time when it will no longer be possible for balance of payment reasons to restrict imports by quantitative restrictions, and the resulting greater importance of tariffs undoubtedly also played a part.

The United Kingdom agreement failed partly for reasons of this order but mainly for other reasons. The ending of Marshall Plan aid highlighted the probability that the time would soon come when the United Kingdom would be expected to relax substantially quantitative restrictions now maintained for balance of payments reasons, and this prospect increased British reluctance to reduce tariffs.

Probably the most important single consideration in the formulation of the British position was the slender majority of the Labor Party in the House of Commons and the fear that any action to reduce protection, particularly any action to impair the Commonwealth preference system, would strengthen the opposition.

From the beginning of the conference there was evidence that the United Kingdom not only proposed to make very meager offers but was encouraging Commonwealth countries to do likewise. This was accompanied by a firm attitude that such offers should nevertheless be worth the grant by the United States of all or nearly all of our controversial offers, which made up the bulk of the requests the United Kingdom had made on the United States. Repeated and unsuccessful efforts were made to secure from the United Kingdom expanded offers adequate to justify the granting of the bulk of our controversial offers. At the same time we drastically reduced our requests on the British, which had originally been based on the assumption that a very comprehensive agreement would be obtained. In spite of this, it was made clear by the British that the only terms on which an agreement could be secured would be by our offering concessions on most of the controversial items, including woolen and cotton textiles, leather, china and earthenware, with other good offers thrown in, in exchange for concessions by the British no one of which offered any break in the preferential system and no one of which offered any substantial improvement in British treatment of United States agricultural products.

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Three main arguments were used by the British to defend this position. First, they maintained that the dollar shortage made it impossible for them to offer more substantial concessions. Secondly, as concerns preferences, they indicated that in their judgment, this was no time to weaken the ties within the Commonwealth and that it was contrary to United States interest to seek to do so. Finally, they claimed their offers balanced ours.

As for the dollar shortage argument, it is clear that so long as the dollar shortage exists, the United Kingdom will in any case maintain quantitative restrictions which prevent any undue increase in British dollar purchases, and therefore the agreement would be somewhat one-sided even if our requests were met. As for the political wisdom of reducing preferences and thereby weakening Commonwealth ties, this argument was felt to be irrelevant since in fact no such result would have occurred; in fact in some cases it developed that the Commonwealth country involved had no objection to reductions and the only obstacle was the United Kingdom attitude.

So far as the balance of offers was concerned, total United Kingdom offers covered 1947 trade valued at $130,000,000 compared with our offers of $122,000,000; but the United Kingdom offers covered only 11 percent of our trade, whereas ours covered 55 percent of our imports from the United Kingdom. Furthermore, of the British offers, $100,000,000 represented bindings of existing rates, most of which were worthless, and reductions were only $30,000,000 (the United States offers were almost entirely reductions in duty). If 1948 figures were used, the figure for total United Kingdom offers would have been about half of that for 1947. Qualitatively, the United Kingdom offers were small, and there were no offers at all on our most important exports, agricultural products, and no significant reductions in preference. In fact there were only two or three offers which we could by any stretch of the imagination call important.

The Delegation was well aware, throughout, of the seriousness of not having an agreement with the United Kingdom but likewise believed that unless there were adequate concessions by the United Kingdom, it would be impossible to grant United States concessions on various controversial items. Its efforts were, therefore, directed toward securing a good and comprehensive agreement.

In the middle of March, the lack of substantial United Kingdom offers was explained to the Department of State which agreed that an unbalanced agreement should not be made and accordingly a note was handed to the Foreign Office by the United States Ambassador. The note warned that failure of the British to make additional concessions, including reductions in Empire preferences, might lead to no agreement at all and that in any event a one-sided agreement

would not be possible. Protracted meetings followed with no change whatever in the British position.

The impasse with the United Kingdom which arose, as indicated above, primarily because of their unwillingness to offer us any significant reductions in duties on agricultural products or in preferences, necessarily gave rise to a similar impasse in the negotiations with the other Dominions, particularly Australia. The United Kingdom has commitments with the Dominions under which the United Kingdom is obliged to obtain the consent of the Dominions before it reduces preferences. In our negotiations with the Dominions we insisted that part of the price for our offers to them (especially, in the case of Australia, New Zealand and South Africa, raw wool) was their agreement to the reduction of preferences in the United Kingdom or other parts of the Commonwealth. In view of the stated unwillingness of Australia to release the United Kingdom to the extent necessary to grant the concessions we desired, the Committee decided that we would be unable to grant Australia the very controversial concession on wool without which no agreement was possible. As in the case of the United Kingdom, high level approaches to the Australian Government were unavailing. Without the concession on wool, no agreement could be concluded with New Zealand or South Africa.

On the issue of preferences, Canada adopted a much more cooperative attitude: although Canada was unwilling to grant us preference reductions where to do so would have meant breaking contractual commitment to the other parts of the Commonwealth, she readily agreed to release the United Kingdom and other Commonwealth countries from any obligations which would have prevented these countries from meeting our requests. On most items involved, the United Kingdom professed its inability to make concessions because of commitments to countries other than Canada, but even in the case of items (such as canned salmon) on which the preference was bound only to Canada, and on which Canada had granted releases, the United Kingdom refused to make any offer.

In the circumstances, it was not possible in the judgment of the Delegation, to make any agreement whatever with the United Kingdom since the United Kingdom insisted that even a limited agreement would have had to include offers by us which we would not feel justified in making on the basis of the poor offers forthcoming from the United Kingdom. This position was strengthened by the fact that such an agreement might have become public just as the Senate voted upon extension of the Trade Agreements Act. More basically, it is felt that the United States tariff has now been reduced to a point where it is of real importance to conserve the bargaining power remaining to secure the substantial reductions in tariff levels and preferences which we still hope to obtain.

Failure of the negotiations with Cuba must be attributed primarily to lack of time for adequate negotiations. By the time the textile and other Article XXVIII negotiations had been completed it was March, and the ranking members of the Cuban delegation had already left Torquay, apparently leaving instructions that in no event was the delegation to accept any form of modification of the United States present commitment on sugar, which would adversely affect the concession if domestic quota legislation in the United States ever lapsed, as was desired by this Government. Agreement to some provisions along this line was requested by the United States in return for any further reduction in the duty on Cuban sugar. When it finally became evident that sugar would not be included in the agreement, almost no time remained to negotiate for adequate concessions to match our other offers.

For all of these reasons, part of the authority granted to make concessions was not used. Valuable results have nevertheless been obtained for those concessions which were granted. In all, the United States obtained direct concessions on exports to these countries totaling about $400 million, about three-fourths of which in concessions from Canada. It is not possible to give at this time a figure for the additional benefit we will derive from concessions by other contracting parties among themselves, but such benefits will be substantial. Among the outstanding concessions obtained in our own negotiations are reductions by Canada in duties on salt beef and pork, grapefruit juice and apples, gelatine, liquid medicinal compounds, petroleum products, miscellaneous machinery, automobile parts, rubber tires and hose. Other important Canadian concessions were listed in the separate memorandum on Canada submitted to the President on March 23. From France important concessions obtained are reductions on dried fruit, lard, fruit juices, various chemicals, air-conditioning machinery, truck trailers, aircraft, and a number of types of scientific apparatus. From Benelux we obtained concessions improving treatment of United States wheat, dried fruit, canned vegetables and canned fruit. Low duties were bound on certain chemicals, rubber tires, pneumatic tools, cranes and hoisting apparatus and electric drills.

In exchange for these and many other concessions, the United States granted concessions on products imports of which from the country with which each concession was negotiated amounted to about $182 million. This figure does not include the value of imports of these same commodities from negotiating countries other than the one to which each concession was granted by initial negotiations nor does it include imports from other countries, though all imports of the commodities in question will benefit, regardless of country of origin. Principal concessions involved by the United States in point of difficulty are reduc-

tions in duties on sheet glass (Benelux), lace and table wines (France), plywood, aluminum, cheese and canned salmon (Canada). Duties on lead and zinc are also reduced by negotiation with Canada and, in the case of lead Peru, but the rates established are those which were in effect until January 1, 1951 under the agreement with Mexico which was terminated effective on that date.

Of these, only the reductions on sheet glass, Douglas fir plywood and aluminum were reductions to the limit of the authority under the Trade Agreements Act, and in view of heavy demands for rearmament and related purposes imports of these products will hardly be any greater than they would have been without the concession for some time to come, and there will be no threat of injury to the domestic industries. In the case of the food products, imports of both salmon and cheese are very small in relation to domestic production and there is at present no surplus of cheese. The reduction in laces is a very moderate one, from 40 to 35 percent, and leaves a substantial duty.

All of these concessions granted and obtained are contained in the final bilateral offer lists contained in Annex A. Tables in Annex C show the trade coverage of concessions obtained and of concessions granted, in each case by country.

### III. NEGOTIATIONS WITH ACCEDING COUNTRIES

Negotiations with the acceding countries were very satisfactory. Apart from the trade benefits obtained for United States commerce, accession by these countries will bring into effect for Germany, Austria, Turkey, Korea, the Philippines and Peru a set of guarantees of fair treatment and a set of standards for the regulation of their commercial policies which is now standard throughout most of the trading countries of the world. The guarantee of most-favored-nation treatment in tariff matters and in internal restrictions on use of imports may be particularly important in the case of ex-enemy countries. Conversely, it will be especially useful to have Germany bound by the rules of the General Agreement during the present formative period in its commercial policy since it is no longer possible to influence German policy directly.

Concessions were obtained by the United States in negotiations with the acceding countries on trade totaling over $660 million in 1949, most of which consisted of concessions by Germany, and we should obtain very substantial additional benefits from negotiations by the acceding countries with other countries since the average number of negotiations by these countries was relatively high. Germany, for example, completed 20 negotiations, Austria 20, Peru 13, Turkey 18, while only Korea's negotiations were few (5).

In exchange, the United States negotiated concessions on imports from the negotiating countries valued in 1949 at about $82 million, including reductions to Germany on various chemicals, Christmas tree ornaments, certain scientific instruments, mechanical toys and cameras valued over $10 each, a reduction to Peru (and the Dominican Republic) in the rate on sugar imported at the most-favored-nation rate, a reduction to Peru on bonito and a reduction to Turkey in the rate on raisins. With the possible exception of the reduction on raisins, of which imports are insignificant but on which there is an agricultural support program, none of these concessions is highly controversial, and rates on a number of the German items remain high. Cuba retains a margin of preference on sugar of 20 percent, the minimum preference which she regards as due her. The sugar concession, as in the case of the Dominican Republic, is subject to termination in the event United States quota legislation should lapse.

The apparent imbalance between the value of concessions granted and concessions obtained, with the balance heavily in our favor, is explained partly by the fact that as always our concessions actually apply to imports from all countries, so that a fairer picture might be obtained by considering imports of the products in question from all countries. Furthermore, however, the quality of concessions granted is in this case much better than the quality of concessions obtained. Peru, to take one case, has had a considerable inflation as a result of which her old specific duties no longer provide the protection they were designed to give. This country has therefore revised its tariff and the concessions we have obtained are reductions from or, oftener, bindings of tariffs which have been revised upward since the conclusion of the bilateral agreement between the United States and Peru in 1943.

Austria, to take another example, has given valuable concessions but not as valuable in the long run as would appear from the trade figure of $30 million which enters into the above total, since in the year in question recovery shipments were still being made on a scale which will not continue when our assistance terminates. In the case of Germany, also, our export trade is likely to fall off when we no longer are contributing to German recovery. Furthermore, nearly $400 million out of the total $660 million on which concessions were obtained from the five countries consists of shipments of three commodities to Germany, namely, wheat, corn and cotton, on all of which we obtained only a binding, although in two cases a binding of free entry. Unfortunately, on wheat it was not possible to reduce the German duty of 20 percent, but it should be borne in mind that the German concessions were made from a tariff drawn up under the supervision of

Allied representatives who exercised a restraining influence on the level of tariffs adopted which was not present in the tariff revisions of other countries. Even so, though not succeeding in reducing the wheat tariff, reductions were obtained from Germany in duties on fat pork, concentrated milk, dried fruit and dried peas. An important additional guarantee included in this agreement is the commitment that Germany will admit a favorable quota of American motion picture films.

The concessions granted and obtained in negotiations with acceding countries are contained in Annex A.

### IV. CONCLUSION

Altogether, at Torquay, new direct concessions have been obtained (though to a considerable extent on products covered earlier) on United States exports valued at over a billion dollars. Concessions have been granted on products imports of which from the negotiating countries amounted to about $270 million in 1949. Imports of these products from all countries amounted in the same year to $478 million. A substantial new agreement was made with Canada which reaffirms through positive action the policy of promoting the greatest possible harmonization of the economies of the two countries. Smaller but valuable agreements have been obtained in addition with eight ERP countries and with Turkey, Indonesia, Korea and three American Republics. Among the acceding countries are Germany and Austria which through this agreement are fully recognized as members of the international trading community. Finally, the United States secured a firming up of concessions previously obtained on exports valued at something like two and a half billion dollars.

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*Editorial Note*

On April 17, 1951 President Truman gave his approval to United States acceptance of the results of the Torquay negotiations. On April 21 the United States and all of the Contracting Parties of GATT except four signed at Torquay a Final Act which authenticated other legal instruments which were annexed thereto, embodying the results of the conference. One of these, the Torquay Protocol itself, set forth the schedules of tariff concessions to be annexed to the General Agreement which embodied the results of the actual tariff negotiations carried on at Torquay from September 28, 1950; the other two provided for acceptance by the Contracting Parties of the accession of new participating governments to GATT, and a "Declaration" which provided for the extension until January 1, 1954 of concessions which had been negotiated at the Geneva and Annecy Conferences.

The Presidential Proclamation giving effect to the Torquay Protocol and related instruments for the United States was issued on June 2, 1951. The Torquay Protocol entered into effect for the United States on June 6, 1951.

For texts of the Final Act of April 21, 1951 signed at Torquay, and annexed instruments, see 3 UST (part 1), pages 588 ff., or Department of State Treaties and Other International Acts Series (TIAS) 2420. With regard to the Torquay Protocol's schedules of tariff concessions certain of the texts are authentic only in the French language; these are in 3 UST (part 2). For text of the Presidential Proclamation of June 2. 1951, see 65 Stat. 612.

As indicated in the annex printed with the April 9 memorandum to the President, page 1247, the United States Government made representations on the political level to France in seeking a successful negotiation both on the Article XXVIII issue and on obtaining new concessions; and to certain Commonwealth countries in an effort to break the negotiating impasse that developed with regard to imperial preferences. The documentation that follows concerns these matters.

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394.31/11-950 : Telegram

*The Alternate Chairman of the United States Delegation to the Torquay Conference (Brown) to the Secretary of State*

CONFIDENTIAL TORQUAY, November 9, 1950—5 p. m.

149. Following for information Department is summary analysis proposed French Withdrawals and compensation offers of direct interest to US.[1]

French withdrawals under Article XXVIII are on scale far greater than envisaged in Geneva "Gentlemen's Agreement" to keep with-

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[1] This had to do with the Article XXVIII negotiations for the extension from January 1, 1951 to January 1, 1954 of tariff concessions given by France (and other Contracting Parties) at the Geneva and Annecy Conferences, rather than with the negotiations for *new* tariff concessions which in the Torquay Conference timetable were to come *only after* the conclusion of the Article XXVIII exchanges. Actually at this time the French Government (as well as certain other governments) had both "notified" the United States of withdrawals and modifications (i.e., increases) which it was requesting in regard to the Article XXVIII item; and also had presented to the United States the French "requests" and "offers" for new concessions.

The basic Department of State central indexed file for all the Torquay Conference tariff negotiations, whether Article XXVIII or new, is 394.31. The official United States Delegation file is located in International Trade Files, Lot 57 D 284 (FRC Accession 65A987). Boxes 133–140. There is a master telegram file (both incoming and outgoing, Torquay) in Box 139. Correspondence between principal officers of the Delegation and the Department which often throws light on the negotiating process is located in Box 134.

Particular reference should be made to Boxes 133, 135, and 136 for the negotiations with France; this material is of a highly technical nature for the most part.

drawals to minimum and many times more than any other country.[2] 237 tariff items are notified for withdrawal from all contracting parties. Moreover, there is pronounced disparity between withdrawals and compensatory offers. Attention also drawn Schuman Plan reservation.

With respect US, French propose withdraw 100 items, some of which are on US request list. Imports these items in 1948 were valued at 3,782 million francs as compared *total* imports from US of 118,679 million francs and imports from US of Geneva concession items amounting to 46,585 million francs. Compensatory offers made on 88 items and many these also on US request list. Moreover, compensatory list includes number items not normally imported (e.g. wheat flour, rye) and *many* POL items not expected to be imported in future. Imports 1949 of items on list withdrawals from US amounted to 5,631 million francs, of which US has substantial interest in 93 percent (5,249 million francs) and little or no interest in 7 percent (382 million francs). Imports of items on the compensatory list offered to US amounted to 4,966 million francs of which the US has a substantial interest in 62 percent (3,103 million francs) and little or no interest in 38 percent (1,863 million francs).

There is similar disparity in extent duty increases proposed for withdrawal items and duty decreases proposed for compensatory items. Increases above present rates on items substantial interest to US are as follows: First figure indicates range percent increase and second figure 1949 imports from US in million francs up to and including 50–744, 51 to 100–3223; 101 to 150–640; 151 to 200–185; 201 to 250–85; over 250–372. The total of above (all direct withdrawals of substantial interest to US) amounts to 5,249 million francs. On other hand, proposed reductions below present rates of compensatory items substantial interest to US are as follows: First figure indicates range percent decrease and second figure 1949 imports from US in million francs; up to and including 10–0; 11 to 20–1,493; 21 to 30–1,125; 31 to 40–41; 412 50–44, over 50–400. Total above (all direct compensations of substantial interest US) amounts to 3,103.

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[2] At the Fourth Session of the Contracting Parties to GATT, held at Geneva, Switzerland, February 23 to April 3, 1950, the CP's had initiated the action providing for the Article XXVIII negotiations at the Torquay Conference. The United States had agreed somewhat reluctantly to support this proposal, which was initiated by the United Kingdom (U.S.–U.K. exchanges on this matter went back to November 1949 (Department of State central indexed file 560.AL/11–1849, 11–3049, 12–149, 12–1849)). This reluctance arose primarily from the U.S. Government's concern that GATT members might demand increases in the rates of duty specified in their Geneva and Annecy schedules as a condition to agreement to extend the date in Article XXVIII. The Department of State had warned GATT members through the diplomatic channel in June 1950 (circular instruction, June 8, 1950, 394.31/6–850) that it was the "expectation" of the United States that the Article XXVIII negotiations at Torquay would not lead to a widespread impairment of the tariff concessions negotiated at Geneva and Annecy.

1949 figures indicate French proposal (much more unfavorable US than shown 1948 figures) possible that figures promised soon by French Delegation for first nine months 1950 will again change picture somewhat, although probably not substantially. Also, Lecuyer [3] indicated informally French will have few concessions offer in any new negotiation addition compensations suggested. In opinion USDel, Hoffman's article *New York Times* November 2nd essentially accurate appraisal.

Preliminary analysis basis 1948 figures of withdrawals and compensations vis-à-vis third countries as whole are comparatively minor importance US.

French insistent proposed withdrawals most important items based large increase imports from Ger. We do not accept French position large increase would necessarily justify withdrawal of an item. Moreover, although imports from Germany in 1949 higher for some withdrawal items these increases are not on scale indicate threat French economy. Also, except for one or two items of US interest data so far available through 1949 fail support French thesis Germany supplanting US in many important withdrawal items. The increases in German imports where substantial, and which are mostly increases from low levels, are more than offsetting aggregate by increases in imports from US. Also, Germany still generally behind other European suppliers. 1950 data may indicate change relative positions somewhat, but consider US has present and long run substantial interest almost all large items in withdrawal list.

At present stage French showing little interest expansion trade with US or in pushing either for solution withdrawal problem or for new negotiations. They have repeatedly indicated informally that, at least as far as French delegation concerned, they are not position make more than minor modifications in withdrawal and compensation lists. (Head French delegation [4] is lower rank than most delegation leaders and apparently acting under strict instructions.)

As result, large list French proposed withdrawals, US, UK, and Canada *inter alia* have not begun negotiations with French.

Ben[elux] exchanged offers French but French offers so meager Ben have not continued negotiations pending resolution Article XXVIII items.

Article XXVIII and new bilateral negotiations closely related owing fact both withdrawals and compensations overlap US request list. Imports into France in 1949 of items on withdrawal list in which US has substantial interest and on US request list amounted to 1,741 million francs and imports similar items on compensation list amounted to 2,805 million francs. Should French fail bring withdrawal list into line with an acceptable compensation list, US requests will have be reappraised determine whether worthy our authorized offers. This

[3] Ernest Lécuyer, member of the French Delegation to the Torquay Conference.
[4] André Philip.

would further delay opening bilateral negotiations. If delay too long, possible not be able conclude negotiations. No approach being made French delegation pending receipt data first nine months 1950 in order have all data available French make decision re tactical approach to French.

Summary tables airmailed. Despatch number 30, November 9.[5]

BROWN

[5] Not printed.

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394.31/12-1550

*Memorandum by the Director of the Office of International Trade Policy (Brown)[1] to the Secretary of State[2]*

CONFIDENTIAL WASHINGTON, December 15, 1950.

Subject: British Preferences and Torquay

At your September meeting with Mr. Bevin,[3] he expressed the hope that there would not be a major wrangle about Imperial preferences at Torquay. You said you would look into the matter.[4]

Mr. Wilson, President of the Board of Trade,[5] expressed a similar view to Mr. Thorp at Torquay,[6] but said the United Kingdom would be willing to consider negotiations with respect to individual preferences.[7]

[1] Winthrop G. Brown, Alternate Chairman of the United States Delegation at Torquay, and Chairman of the United States Delegation to the Fifth Session of the Contracting Parties of GATT at Torquay, November 2–December 16, 1950, had returned to Washington by this time. (For documentation regarding the Fifth Session of the CP's, see *Foreign Relations*, 1950, vol. I, p. 692 ff.)

[2] This memorandum was sent to Secretary Acheson through the Assistant Secretary of State for Economic Affairs, Willard L. Thorp.

[3] Ernest Bevin, British Secretary of State for Foreign Affairs.

[4] See memorandum of conversation by Lucius D. Battle, September 26, 1950, *Foreign Relations*, 1950, vol. I, p. 802.

[5] Harold Wilson. Mr. Wilson was head of the British Delegation to the Torquay Conference.

[6] Thorp was the designated Chairman of the United States Delegation to the Torquay (tariff negotiating) Conference and attended the opening sessions.

[7] Mr. Wilson expressed his views at a dinner held between the principals of the United States and British Delegations on September 28, 1950, the opening day of the conference. He said in part:

"The British find the problem of offering further reductions in Empire preferences extremely difficult. During the Torquay negotiations, they will be willing to effect 'some' reductions in exchange for tariff concessions in cases where such an exchange appears to be advantageous, but any 'general' effort to reduce or eliminate preferences would confront the British with very serious difficulties. The question of Empire preferences has important political significance in the United Kingdom. The maintenance of the system of preferences is not only a major policy of the Labor Party but is favored by a majority of the British people. If the Conservatives should come into power, the policy would probably be advocated by them even more strongly than by the Laborites. . . .

"The desire of the United States Congress and of the American people to obtain concessions from the British to match concessions granted was quite understandable but it was hoped that United States authorities would also understand the delicate position in which the British Government found itself with regard to the matter of preferences." (International Trade Files, Lot 57 D 284, Box 138, "UK 1950 TN/S100/Preliminary Negotiations")

This general position had been spelled out in some detail in exchanges between the British Embassy in Washington and the Department of State in July, August, and September 1950; see *Foreign Relations*, 1950, vol. I, p. 791 ff.

There has so far been no real difficulty with the British at Torquay on this subject. Our requests on them made no broadside attack on preferences, but rather asked for reduction or elimination in a reasonable number of specific cases, offering appropriate compensation. The British offers are most unsatisfactory on this point, but we are trying to handle the problem by negotiation on an item-by-item basis.[8]

For your information, the Canadians have been prevented from making a number of important offers to us, which they would like to make, because of Australian insistence on maintaining their preferential advantage in the Canadian market. We are handling this on an item-by-item basis also.[9]

WINTHROP G. BROWN

[8] Detailed information as to requests and offers both by the United States and the United Kingdom, much of it in tabular form, is located in the International Trade Files, Lot 57 D 284, Boxes 133 and 138. The contents of Box 138 consists entirely of matters relating to the negotiation with the United Kingdom. The Delegation submitted to the Department of State 22 weekly reports between October 9, 1950 and March 27, 1951, which not only contain much information in convenient summary form with regard to the United Kingdom negotiation (*inter alia*) but also information which was not otherwise reported.

By this time (December 15, 1950) there had been only two full-dress meetings between the United States and the United Kingdom negotiating teams, on November 17 and December 11, a situation viewed with some misgiving by the United States Delegation. A preliminary analysis of the U.K. offer list by the U.S. team had been that the British offers were "very meager". The Delegation reported to the Department on November 20, 1950 that "Offers have been made on 30 items out of 137 requests. Fourteen of these offers are for bindings of the present rates. Ten reductions are offered, but in amounts less than our requests; and our requests for reductions are met on only 6 items. The only reductions in preference are the minor ones incidental upon these reductions in duties." At the meeting on December 11, the British were informed that their offers "did not constitute an adequate basis for negotiation." It was at this time that the U.S. negotiators "in order to cooperate" agreed to hold item-by-item discussions "on a strictly informal and experimental basis." (Weekly Report No. 7, Part 2, November 20, 1950, 394.31/11-2050)

[9] There is considerable documentation in the Department of State's central indexed files (394.31) on the Canadian negotiation, which is not printed here. The bargaining involved such important items in United States-Canadian trade as aluminum, plywood, canned salmon, and cheddar cheese, but was essentially a "nuts and bolts" operation. Basic documentation on "Southern Dominions" negotiations (Australia, New Zealand, South Africa) is located in Lot 57 D 284, Box 137, with particular reference to the Australian negotiation.

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394.31/12-2250 : Telegram

*The Acting Chairman of the United States Delegation to the Torquay Conference (Corse)*[1] *to the Secretary of State*

CONFIDENTIAL TORQUAY, December 22, 1950—7 p. m.

323. 1. Delegation has been considering question of general policy re preferences with particular reference Article XXVIII negotiations.

[1] Carl D. Corse, Chief of the Commercial Policy Staff, Department of State, was the designated Vice Chairman of the United States Delegation to the Torquay Conference, and became Acting Chairman after the departure of Winthrop G. Brown in mid-December.

2. Other than general commitment Article XXIX, paragraph 1 appears be no prohibition in GATT against increasing margins by negotiation up to maximum of pre-GATT margins permitted by Article I (4) and annex G.[2]

3. Rules for Torquay negotiations (GATT/TN.2/16, Section III)[3] taken from Charter Article 17[4] provide, paragraph 1 (*c*) (IV), that in negotiations no margin preference shall be increased. Furthermore, Section VI (III) states Article XXVIII negotiations will be conducted within framework of Torquay negotiations. Nevertheless, question might be raised whether preference rule cited above could be construed encompass Article XXVIII negotiations.

4. Certain proposed Article XXVIII modifications, e.g. all French and some South African would increase existing margins. (Understand UK is pressing South Africa to make such increase in case at least one item.) French items complicated by necessity converting specific rates effective January 1, 1939 to ad valorem equivalents in order calculate margin since present comparable rates ad valorem.

5. Canada sometime ago informally and confidentially expressed concern to us over danger establishing precedent in Article XXVIII negotiations for increasing margins preference, having especially in mind empire and Commonwealths.

6. Seems clear US agreement to increase aforementioned margins preference would be difficult defend in light our long-established objective eventual elimination of preferences. Additional background this connection, in conversation between Clayton, Cripps et al in 1947 when Holmes UK delegate said under ITO charter any preference which British agreed reduce or eliminate could never be restored.[5] However in view of status of Charter[6] perhaps this position no longer

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[2] The references are to articles of the General Agreement on Tariffs and Trade, of which there were 35. The original agreement had nine annexes, Annexes A–I. Annex G fixed the dates for establishing the maximum margins of preference referred to in paragraph 3 of Article I.

[3] These were formulated by the Fourth Session of the CP's at Geneva in 1950.

[4] This refers to the Charter for the International Trade Organization (ITO) which was drafted by the United Nations Conference on Trade and Employment which met at Habana, Cuba, November 17, 1947–March 24, 1948 (see *Foreign Relations*, 1948, vol. I, Part 2, pp. 802 ff.). For text of the ITO Charter, see United Nations Document ICITO/1/4 (a document of the Interim Committee of the International Trade Organization set up by the Final Act of the Habana Conference), or Department of State Publication 3117 (Commercial Policy Series 113), *Havana Charter for an International Trade Organization and Related Documents* (Washington, Government Printing Office, 1948).

[5] The references are to certain American and British principals at the 1947 Geneva Conference which negotiated the General Agreement, respectively, William L. Clayton, Under Secretary of State for Economic Affairs, and Chairman of the United States Delegation; Sir Stafford Cripps, Chancellor of the Exchequer, and head of the British Delegation; and Stephen Holmes, then Second Secretary, British Board of Trade. For documentation on the 1947 GATT Conferences, see *Foreign Relations*, 1947, vol. I, pp. 909 ff.

[6] This refers to the action taken by the United States Government on December 6, 1950, announcing that President Truman would *not* reintroduce legislation in the Congress for United States ratification of the ITO Charter. This in effect meant the end of the United States policy for the establishment of the ITO. For documentation on this subject, see *ibid.*, 1950, vol. I, pp. 779 ff.

tenable by US, and increase of certain US preferences Cuba resulting from termination Chinese concessions seems further to compromise this position.[7]

Your views would be very helpful.

CORSE

[7] There is ample documentation in the Department of State's central indexed files (394.31) on the Cuban negotiation, which is not printed here. The Cuban negotiation consisted (as did others) of two negotiations, the one relating to the revalidation of the Geneva and Annecy concessions under Article XXVIII, the other looking toward new concessions to be given at Torquay. The question of United States preferences on Cuban products related to both, but particularly to the latter.

Likewise, there is extensive documentation in the files on the withdrawal of the Republic of China from GATT in 1950, resulting in the termination of concessions offered and received by China under GATT. This had widespread and often unexpected results on trading relationships between GATT members, contrary to basic GATT objectives, as, in this case, the raising of the margin of certain United States preferences with respect to Cuba.

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394.31/1-2651 : Telegram

*The Secretary of State to the Acting Chairman of the United States Delegation to the Torquay Conference (Corse)*

SECRET
PRIORITY

WASHINGTON, January 26, 1951—6 p. m.

335. For Corse. USTAC. For your info for possible use in discussions with Brit, fol are views Dept re possible alternatives.[1]

(1) Alternative of "no agreement with UK" considered most undesirable. Such outcome wld be regarded as indication basic disagreement between US and UK. Wld not really help with TA renewal even if welcomed by critics of program.[2]

2. Alternative of "limited agreement with balance in favor of Brit" considered most undesirable. Such outcome wld have adverse effects on

[1] As the Torquay Tariff Negotiating Conference entered its 1951 phase, the United States Delegation was awaiting the new British offers. In a lengthy informal meeting on January 8 between the principals of the two delegations, the United States representatives reviewed the situation in light of an emerging conference consensus that all tariff negotiations—both of the Article XXVIII type and also new concessions—should be completed by February 28. The United States representatives pressed for new British offers by January 22. (Delegation's Weekly Report No. 12, Part 2, January 16, 1951, 394.31/1-1651)

Telegram 335, January 26, was sent to speed information which was being transmitted to the Delegation in a letter dated January 25 written by W.T.M. Beale, Acting Chief, Commercial Policy Staff. The three alternatives named here were spelled out in somewhat more detail in the letter. From the point of view of the Delegation the chief significance of the letter derived from the following statement: "In his letter to Win [Winthrop G. Brown, Director, Office of International Trade Policy], dated December 23, Carl [Corse, Acting Chairman of the Torquay Delegation] said he would like to have some assurance that the Department would not undercut him by insisting that unbalanced agreements be concluded. This letter is intended to provide that assurance in the case of the negotiations with the British." (Letter, Beale to James H. Lewis of the U.S. Delegation at Torquay, January 25, 1951, International Trade Files, Lot 57 D 284, Box 134, "Torquay Correspondence—II")

[2] Legislation was pending in Congress at this time for the renewal and extension of the Trade Agreements Act; see pp. 1373 ff.

renewal and cld not be defended against background historical statements on reciprocity. Consider that balance wld be in favor of Brit if their offers were limited and our offers included substantial concessions such key items as wool textiles, cotton textiles, chinaware, etc.[3]

3. Alternative "limited agreement in fair balance" regarded as only possible outcome if Brit do not make substantial offers. This alternative unsatisfactory and regrettable but Dept wld be prepared accept it.[4]

4. Above are views ITP and BNA.

ACHESON

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[3] On the United States side the American offers on earthenware, chinaware, cotton and wool textiles, and leather were considered to be "very difficult items" on which to make concessions, from the point of view of the affected United States commercial interests. The United Kingdom representatives had indicated that these were exactly the items the British wanted the most. They had stated further the British view that the United States was making offers on many items "unwanted" by the British, for which the United States "should not expect much payment." (Delegation's Weekly Report No. 12, Part 2, January 16, 1951, 394.31/1-1651)

[4] In the Beale letter of January 25 cited in footnote 1 above, the meaning of the term "limited agreement in fair balance" had been defined as "withdrawing any substantial concessions on such items as woolens, cotton textiles, china, earthenware, etc., i.e., the usual list of critical items . . . giving just about what we got, even if the results were only slightly less than ridiculous."

On January 27 the third formal meeting was held between the United States and British negotiating teams, and new offers were received from the United Kingdom. This began six weeks of technically complicated negotiations, during which Harold Wilson, President of the Board of Trade, seems to have endorsed an "unyielding position" taken by the British as early as February 4; a trip to Washington for consultations by Carl D. Corse, Acting United States Chairman; and consultations between Corse and Sir Stephen Holmes, ranking British negotiator, both in London and Torquay, upon Corse's return. During this period, aside from the movements and activities of these principals, the United States and British negotiating teams at Torquay were in constant contact in an effort to "balance" their respective offers and requests. In this "nuts and bolts" operation the essential direction on the United States side came from the Interdepartmental Committee on Trade Agreements (TAC), which was actually sitting at Torquay.

This six-week phase was reported by the United States Delegation in its Weekly Reports No. 14, January 29, 1951, through No. 21, March 20, 1951 (394.31). The following is essential documentation with respect to the development of the United States position, in the form of memoranda from the United States negotiating team to the Interdepartmental Committee on Trade Agreements:

(1) Memorandum entitled "Improved U.K. Offers and Proposed Revision of U.S. Requests", January 29, 1951 (Doc. TAC D-35/51);

(2) Memorandum entitled, "Status of Negotiations with the United Kingdom", February 8, 1951 (Doc. TAC D-48/51);

(3) Memorandum entitled "Status of Negotiations with the United Kingdom", February 19, 1951 (Doc. D-60/51);

(4) Memorandum entitled "Revised Recommendation Regarding Procedure", February 20, 1951 (Doc. TAC D-60/51, Supplement 1);

(5) Memorandum entitled "Negotiations with the United Kingdom", March 14, 1951 (Doc. TAC D-98/51) (With Supplement).

(International Trade Files, Lot 57 D 284, Box 138, "United Kingdom-GATT—UK Offers at Torquay")

394.31/1-2751 : Telegram

*The Acting Chairman of the United States Delegation to the Torquay Conference (Corse) to the Secretary of State*

SECRET
PRIORITY

TORQUAY, January 27, 1951—5 p. m.

375. French again holding up solution article XXVIII through prolonged delay in replying to our counter-proposal January 16 following tentative French proposal January 15. (Since early December we have in each instance made replies or counter-proposals within 24 hours after receipt French proposals.)[1] French hope disagreement between Ministries of Industry and Agriculture on question reductions in withdrawal list will be arbitrated by Pleven[2] before he leaves today for Washington; they said last night that even if his decision obtained, implementation thereof will require at least three or four days more and therefore we should not expect their detailed reply until middle next week. This may be deliberate in order withhold reply until after Pleven has finished his Washington talks. USDel suggests Department give consideration to impressing on Pleven in Washington talks that another inadequate French proposal following these repeated French delays would make negotiation new agreement extremely difficult if not impossible within time period remaining Torquay negotiations. We have most strongly urged French to give their reply this weekend.

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[1] In his later Report to the Secretary of State on the Torquay negotiations, the Acting Chairman of the United States Delegation (Corse) said of the negotiations with France:

"Our negotiations with France at Torquay along with the British and Cuban negotiations, were probably the most difficult. This was true of both the Article XXVIII negotiations as well as those for the exchange of new concessions. . . .

"The discussions were characterized throughout on the part of the French by (1) an apparent deliberate procrastination, (2) a strong policy of protectionism, and (3) particular fear of German competition, especially in machine tools, Diesel tractors and equipment for handling goods. . . .

"The French originally proposed to increase the rates of duty on withdrawal items in much greater degree than they proposed to reduce duties on the items in the compensation list. In the course of the negotiations [i.e., on Article XXVIII matters], the French proposed using the calculated difference in the duty collected on imports from the United States under the existing rates of duty and the proposed rates of duty as a technique for measuring statistically the qualitative value of the proposed withdrawals and compensations. The French referred to this difference as *perceptions*. With the understanding that this method would not accurately reflect in all instances the worth of proposed duty charges, this technique was used as a general guide in discussions with the French." (Report of the Acting Chairman of the United States Delegation to the Tariff Negotiations Conference held at Torquay, England, September 28, 1950 to April 21, 1951, to the Secretary of State, no date, Lot 57 D 284, Box 139)

A running summary account of the Article XXVIII negotiations with France during the period indicated is included in the following Weekly Reports of the Delegation to the Department of State: No. 12 (pt. 2), January 16; No. 13 (pt. 2), January 23; No. 14 (pt. 2), January 29; No. 15 (pt. 2), February 6; No. 16 pt. 2), February 13; and No. 17, February 20. (394.31) The various proposals and counterproposals are described therein.

[2] René Jean Pleven, French Prime Minister.

Should they do so we shall advise Department immediately; also if possible whether reply appears acceptable.

Sent Department 375, repeated information Paris 28 for Ambassador and ECA.

CORSE

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394.31/1-3051 : Telegram

*The Acting Chairman of the United States Delegation to the Torquay Conference (Corse) to the Secretary of State*

SECRET PRIORITY TORQUAY, January 30, 1951—noon.

383. ReDeptel 375, January 27. French delegate indicated informally 10:45 today Pleven has authorized adjustments Article XXVIII modifications which if formally confirmed they say sufficient fill gap which in team's judgment still exists although *team's appraisal not yet taken* TAC.[1]

Sent Department 383, repeated information Paris for Ambassador and ECA.

CORSE

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[1] This informal French *démarche* was described in some detail in the Delegation's Weekly Report No. 15 (pt. 2), February 6 (394.31/2-651). (The French decision was made obviously before M. Pleven left Paris for Washington, that is, before the presideutial representations described in Department of State telegram 398, February 20, *infra.*) On February 6 the new French proposals were formally submitted to the United States negotiating team in a document dated February 5 (Weekly Report No. 16 (pt. 2), February 13, 394.31/2-1351). On February 14 TAC approved the report of the (United States) French team recommeuding acceptance of the Freuch Article XXVIII proposals (Weekly Report No. 17, February 20, 394.31/2-2051). The United States-French Article XXVIII negotiations were formally concluded on February 19 (Weekly Report No. 18 (pt. 2), February 27, 394.31/2-2751); and the GATT Secretariat was notified of the formal lists on February 28, the final cut-off date for such notifications.

Certain matters in United States-French trade relations not directly a part of the Article XXVIII questions were successfully absorbed into the Article XXVIII negotiations along the way. Concise reference is made to them in the Acting Delegation Chairmau's Report to the Secretary of State:

"The scope of the negotiations was later expanded to include (1) the question of compensation requested by France for the withdrawal by the United States of its concessions on fur felt hats and hat bodies [to Czechoslovakia] pursuant to the escape clause action under Article XIX; and (2) on crude feathers and paté de foire [*foie*] gras under Article XXVIII as a result of the withdrawal of China from the General Agreement.

". . . while the Uuited States made no modifications or withdrawals in its Geneva or Annecy concessions before agreeing to the extension of the date in Article XXVIII to Jauuary 1, 1954, it did nevertheless make three upward modifications through the regular process of negotiations. Two of these, stencil silk and certain leather gloves were initially negotiated with France and account of the modifications iu these items was taken iu evaluating the final balance of the reciprocal concessions." (Report to the Secretary of State, Torquay Conference, Lot 57 D 284, Box 139)

394.31/2-2051 : Telegram

*The Secretary of State to the Acting Chairman of the United States Delegation to the Torquay Conference (Corse)* [1]

CONFIDENTIAL WASHINGTON, February 20, 1951—7 p. m.

398. For Corse. No verbatim transcript available Truman–Pleven meeting. Fol para, however, is substance relevant portion mtg Jan. 30.[2]

Pres said re current Fr trade policy Fr had apparently taken our place as advocates protectionism. High tariffs had not worked for US, and he predicted they wld not work for Fr. Pleven said he accepted Pres's criticism Fr commercial policy, but Pres stated his comments not meant as criticism. Pleven said Fr wld change policy and proceed with tariff reductions now under discussion Torquay. Explained Fr action in terms Fr Govt Agency being out of line with thinking Fr cabinet and promised this wld be promptly straightened out.[3]

ACHESON

[1] In a letter dated February 14 to the Department of State, Corse wrote: "I think it would be useful in our new negotiations with the French to have the words which the President spoke to Mr. Pleven regarding the trend of French commercial policy" (Corse to Beale, February 14, 1951, Lot 57 D 284, Box 139, "GATT 1950–51 Torquay Correspondence–II"). This was the Department's response.

[2] For the record of this White House meeting, see United States Minutes of the Third Meeting between President Truman and French Prime Minister Pleven, January 30, 1951, printed in volume IV in the compilation on U.S. relations with France. The exchange between the two did not proceed uninterruptedly as indicated here; but otherwise this is an accurate report.

[3] After the informal French assurances described in Torquay telegram 383, January 30, *supra*, were conveyed to the United States, TAC at Torquay had authorized the U.S. team to begin the exchange of offers with the French for new concessions.

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394.31/3-251: Telegram

*The Acting Chairman of the United States Delegation to the Torquay Conference (Corse) to the Secretary of State* [1]

SECRET NIACT TORQUAY, March 2, 1951—8 p. m.

493. The US and French reached agreement in principle on February 6 re French Article 28 proposals and formally concluded these negotiations February 28. On February 6 offers were exchanged initiating new bilateral negotiations. On February 7 French were informed their offers did not constitute basis for negotiation. French noted in reply that, in US offers, (1) interesting offer had been made on lace, (2) no concession offered on gloves and (3) number concessions offered items not included French request list and indicated wish US with-

[1] The developments described here with respect to the United States-French negotiations for new concessions are described in some detail in the Delegation's Weekly Reports to the Department of State as follows: No. 16 (pt. 2), February 13; No. 17, February 20; No. 18 (pt. 2), February 27; and No. 19 (pt. 2), March 6. (394.31)

draw some offers in latter category as step in achieving balance. French indicated would be difficult make additional customs duties on items included previous negotiations and suggested US examine its request list with view making request additional items. US gave French supplementary request list February 19.

On February 28 French gave negotiating team partial list of offers and stated they expected give complete list about March 8. French stated however that complete list would include very few additional items; these would be taken almost exclusively from supplementary request list and would probably be almost exclusively confined some chemical items. On basis French imports 1950, French are making direct offers on only $1,885,000 or on only .5 percent total French imports from US and 3 percent US requests, as compared US direct offer (US imports 1949 upon $13,225,000 or 21 percent imports from France and 70 percent French requests. Moreover, 43 percent French offers consist duty-free banding one item and with very few exceptions French reductions in duty offered small.

In accordance with unanimous decision TAC negotiation team informing FrDel March 3 that unless French Government prepared offer concessions far greater in scope and quality than it has indicated is prepared make, would appear impossible for US and French conclude agreement at Torquay; in addition, TAC unanimously believed would be highly desirable discuss matter at high level with French Government. This decision taken because (1) psychological desirability as negotiating tactic gave French immediate reaction their proposal and (2) view of short time remaining before close conference, necessary give French as clear idea as possible of type agreement US would accept. Noted this connection that in order achieve balance with present French offers (including those expected next week) would be necessary withdraw all but small part US offers.

USDel believes highly desirable that Washington and Embassy Paris recall immediately to French, despite fall Pleven Cabinet, assurance given by Pleven to President that protectionist policy would be changed and French would proceed tariff reductions Torquay (urtel 398, February 20) and reiterate concern of US Government that no such changes evident Torquay, at effect protectionist policy would have in reducing productivity French economy and detrimental effect on public opinion US and Europe if substantial agreement should not be concluded between US and French at Torquay. There is evidence French Government agencies are misleading their high level officials re protectionist policy being pursued Torquay.

USDel believes implementation French Government's assurance given by Pleven can be effected only if efforts Torquay conplemented by very strong representation high level view many indications

French Government agencies following wishes French pressure groups.

Sent Department 493, repeated information Paris 51, for Embassy and OSR.

CORSE

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394.31/3-551 : Telegram

*The Ambassador in France (Bruce) to the Secretary of State*

SECRET PRIORITY PARIS, March 5, 1951—7 p. m.

5172. This is joint Embassy-ECA mission message. Torquay telegram 493 to Washington repeated information Paris 51, March 2, 1951.

1. Embassy representatives have already informally approached FonOff, and ECA mission has indicated US views in strong terms to Bernard de Margerie.[1] Both FonOff and De Margerie have been reminded of Pleven assurances to President that French protectionist policy would be changed, and that French would go forward with tariff reductions at Torquay.

2. De Margerie has also been informed that under terms of US December 18 *aide-mémoire*,[2] stipulating that French take vigorous measures combat inflationary pressures by all appropriate means, including necessary adjustments of import policy, ECA mission and Embassy request meeting to consult with appropriate French officials. Unless developments make such meeting unnecessary or undesirable, it will probably take place latter part this week, and we hope USDel GATT can send qualified officer from Torquay to attend.

3. FonOff has informally assured Embassy that new instructions have been given to French Government working party in Paris which is presumably preparing additional tariff reduction offers. However, in view brief remaining time for Torquay negotiations and far greater offers required on part French (reftel), it appears essential to maintain close contact with French officials here as indicated paragraph 2 above.

Sent Department 5172, repeated info Torquay 19.

BRUCE

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[1] Presumably Roland Jacquin de Margerie, Director-General of Political and Economic Affairs, French Ministry for Foreign Affairs.

[2] See *Foreign Relations*, 1950, vol. III, p. 1446.

394.31/3–1551 : Telegram

*The Acting Secretary of State to the Embassy in France* [1]

SECRET WASHINGTON, March 7, 1951—7 p. m.

PRIORITY

4648. For Bruce from Webb. Thorp saw Bonnet Tuesday [March 6] and made points requested in Torquay tel 493, March 2 (rptd Paris 51). I fully endorse approaches indicated Embtel 5172 March 5 (rptd Torquay 19) and urge continuing pressure at high levels.[2]

WEBB

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[1] Repeated for information to Torquay.

[2] United States representations continued in Paris on March 8 and 9. Action then shifted back to Torquay where the French made new offers on March 13, considered by the United States negotiating team to be much improved but still inadequate with respect to United States requests. On March 15 M. de Montremy, Inspector of Finances of the French Ministry of Finance and Economic Affairs, arrived in Torquay "under instructions to do his utmost to bring about a satisfactory agreement." The French made additional offers on March 22. Still under continuing pressure from the United States team ("The Team indicated that although a number of the offers made were good, it believed that the French had not made all of the offers which they could or should make, and requested that the French Delegation review carefully the possibility of making additional offers which would enable the Team to recommend the conclusion of an agreement [to TAC] without withdrawing any of the offers made by the United States"), and in close contact with Ministers in Paris, the French made further and final offers on March 23. These were accepted by the United States (TAC) on March 24. A summary account in some detail of the United States-French negotiation, March 8–23, is included in the Delegation's Weekly Reports No. 21 (pt. 2), March 20 (394.31/3–2051) and No. 22 (pt. 2), March 27 (394.31/3–2751). The Delegation was frank in its final assessment of the French negotiation:

"It is difficult to assess the forces at work in the French Delegation and the French Government during these negotiations . . . it is evident that for what M. de Montremy called 'supérieures' reasons the [French] Council of Ministers, and particularly Messrs. Petsche and Buron [the incoming Ministers of Finance, and Industry], believed that agreement with the United States was essential to the best political and, perhaps, economic welfare of France. It is doubtful, however, whether a desire for the liberalization of trade per se was a real motivating factor. It is believed that the principal reasons for their desire for an agreement were (1) a belief that it was necessary for France to give evidence of living up to the commitments made in connection with the aid programs and (2) to preserve the friendliest of political relations with the United States." (Report to the Secretary of State, Torquay Conference, Lot 57 D 284, Box 139)

International Trade Files, Lot 57 D 284,[1] Box 138

*Mr. E. T. Casdagli of the United Kingdom Delegation to the Torquay Conference to Mr. James H. Lewis of the United States Delegation*[2]

SECRET TORQUAY, March 14, 1951.

DEAR JIM: When I told you the day before yesterday that, after consultation with the other Commonwealth Delegations concerned, we were not able to make concessions in our tariff on agricultural products which you considered of major importance to you, you expressed the view that in these circumstances any agreement between us would, of necessity, be limited since, in the absence of such agricultural concessions on our part, you would be unable to maintain the offers which you have made on certain items which are of difficulty for you.

I believe that you are considering the offers you would make to us on the assumption that we maintain all our offers to you. On the basis of a "limited agreement", however, and without prejudice to our original request list and the basis on which it was submitted, I think that I should let you have the enclosed list of items on which we should expect to receive offers from you if any agreement between us, on this limited scale, is to be of practical value to us. I should be glad if you would consider this list as a revised request list in what one would have to regard as changed circumstances; meanwhile, we are considering the various elements in our offer list to you to determine the extent to which we should be prepared to maintain them against this revised request list on our part.

You will no doubt take the enclosure to this letter into account in formulating the offers to us which you have under consideration.[3]

Yours sincerely, CAS

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[1] Comprehensive collection of files on commercial trade policy, the question of an international trade organization, and the negotiation, conclusion, and operation of the General Agreement on Tariffs and Trade, assembled and maintained in various economic offices of the Department of State during the years 1934–1956.

[2] Source text was United States Delegation document Supplement 1 to Doc. TAC D-98/51, March 14, 1951. Casdagli was Deputy Head of the British negotiating team and Lewis was Deputy Head of the United States negotiating team.

[3] In reporting the receipt of this letter with its list, the Delegation informed the Department of State that "The list included most of the controversial items, and was clearly intended to inform us that the U.K. did not want a limited agreement without [these] controversial items. TAC consideration has been deferred pending further consultations at the head-of-delegation level. It is obvious that the U.K. and Commonwealth, or at least Australian, positions have been coordinated with a view to putting the maximum pressure upon us." (Weekly Report No. 21 (pt. 2), March 20, 394.31/3-2051)

Annex

SECRET

| *Tariff No. Ex.* | *Description* | *Imports from U.K. in 1949 $ '000* |
|---|---|---|
| 11 and 31a | Polyethylene & acrylic resin | N.S.S. |
| 202 | Tiles | 5 |
| 211 | Earthenware | 3, 089 |
| 212 | China | 2, 969 |
| 371 | Bicycle parts (other than frames) | 136 |
| 372 | Bradford combs | 40 |
| 372 | Winders and parts | 16 |
| 506 | Sugar candy | 572 |
| 751 | Orange marmalade & stone fruit jams | 88 |
| 802 | Whisky | 39, 234 |
| 917 | Cotton knit outerwear | 150 |
| 1004 A | Flax yarn and thread | 527 |
| 1007 | Hoses | 33 |
| 1108 & 1109 | Woolen piecegoods | 14, 199 |
| 1114 | Woolen knitwear | 2, 120 |
| 1115 A | Woolen clothing | 1, 799 |
| 1116 B | Carpets | 490 |
| 1529 A | Nets and netting | 2 |
| 1530 E | Footwear | 1, 150 |
| 1530 F | Harness and saddlery | 133 |
| 1531 | Leather goods | 479 |
| | Total | 67, 231 |

394.31/3-1751 : Telegram

*The Acting Chairman of the United States Delegation to the Torquay Conference (Corse) to the Secretary of State*

SECRET

NIACT

TORQUAY, March 17, 1951—7 p. m.

552. USTAC.

1. TAC decided recommend Pres package [for Canada] [1] outlined memo below. 6 voted for, 2 reserved, 1 absent.[2] 4 favorable votes

[1] The United States-Canadian negotiation started on October 6, 1950. The United States Delegation was so dissatisfied with the initial Canadian offers that it promptly broke off negotiations pending improvement thereof. The Canadians expressed willingness to make wide improvements and formal negotiations were resumed on November 17. Complicated negotiating extending into 1951 centered around Douglas fir plywood, birch plywood, cattle, Cheddar cheese, potatoes, apples, groundfish fillets, canned salmon, book paper, paper board, and aluminum.

[2] Betti C. Goldwasser, Department of Labor representative at Torquay, was absent in London at the time of this TAC vote.

were cast without authorization by members whose agencies now oppose certain items in the package but who personally recommend each agency consider withdrawal such opposition in view acceptance all agencies of total package and advantages of package as a whole.[3] Items in question are: cheese (Agric); plywood (Commerce); aluminum (Defense and Interior); canned salmon (Interior). ECA Treas reserved basis aluminum.[4] Labor absent London but being informed, may cable direct. Members further recommend highest level inter-agency consultation to agree package as whole. Suggested memo Pres follows for use after agencies' deliberation.

2. *Begin memo.*

Interdepartmental committee TAC herewith requests additional authority for offers by US to Canada shown annex A (see ourtel 553).[5] Some of these offers non-controversial but fol 5 heretofore not recommended because of difficulty which grant or concession wld cause to one or more US govt agencies because of programs or interests for which they have responsibility are now recommended for approval as a group: Douglas fir plywood 20 percent, canned salmon 15 percent (both requests for deeper reductions items on which smaller concessions already offered), birch plywood 15 percent, crude aluminum 1½ cents pounds, cheddar cheese 3 cents lb 15 percent min (no concessions previously authorized last 3). (Insert here reference final status any dissents.)

3. Background against which these concessions recommended, including status entire conference and procedure proposed for use requested authority essential to appraisal merit of requests. After extended negots, Canada came to conclusion only alternatives no agreement or limited facesaving one containing no controversial items either side. This stand based our failure try meet their request items here recommended and others including potatoes, ground fish fillets, soybean oil, linseed oilcake and meal, paper. Further stated they unable conclude an agreement with some but not all controversial items

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[3] This was done by other TAC members in a series of telegrams to Washington, March 17–21 (394.31 file).

[4] The United States Delegation on March 12 rejected Canadian requests on birch plywood, Cheddar cheese, and potatoes. The Delegation earlier had rejected Canadian requests on the same items and additionally on groundfish fillets and apples. On March 14, after the United States rejection of March 12, the Canadian Delegation recommended either breaking off the negotiations or improvising strictly limited schedules of noncontroversial items. Shortly after that, the Canadians accepted a United States proposal for the rapid conclusion of an agreement in which the United States would grant its previously definitively offered concessions plus concessions on aluminum, Douglas fir plywood, birch plywood, Cheddar cheese, and canned salmon. On its part Canada would maintain its offers already made and add some important additional concessions including, if other Commonwealth countries made it possible, reduction of Commonwealth preference on raisins, dried currants, canned peaches, and hog casings in the Canadian tariff, and Cheddar cheese and canned salmon in the United Kingdom tariff.

[5] Not printed.

both sides because their need substantial concessions of value all areas Canada.

4. Chairman USDel made appeal head Canadian Del for joint exploration situation. Item by item discussions showed US offers to date plus items for which authority here requested provide reasonable balance in substantial agreement which wld include on Canadian side all offers to rate, release on all preferences Canada accords or enjoys in which we interested and additional offers items named para 6 below.

5. On report foregoing, TAC decided urge Canada all out effort resolve crisis by broadening basis both sides, feeling essence of strategy must be maintain positive effort balance upward instead of downward.

6. Canadian Del agreed make all out effort and now offers fol new concessions (see TAC D-77 annex 5 for other offers) [6] assuming entire package consisting our existing offers plus items here recommended obtained from US. Reductions margins of preference as far as beneficiary Commonwealth countries will agree (Canada actively supporting US) on hog casings, raisins, currants, canned peaches; reduction MFN frozen vegetables from 20 to 17½ percent; grapefruit juice from 15 to 10 percent; refrigerators 22½ percent to 20 percent; street or road rollers 25 to 20 percent; rubber hose (entire items) 22½ percent to 20 percent; rubber tires from 25 to 22½ percent; apples ½ cent Aug 1–May 19, free May 20–July 31. Finally support our efforts secure reductions margins preference other Commonwealth countries list items primary interest US. Latter include preferences Canada now enjoys UK on cheddar cheese and canned salmon.

Resulting overall trade coverage by Canada wld be 284 million dols or 14.5 percent Canadian imports from US 1949; by US 131 million dols or 8.5 percent US imports from Canada 1949. Wide range products both sides.

7. TAC therefore recommends as indicated above and wld conclude agreement using full authority if Canada delivers entire package. Recognize uncertainty Canada able persuade other countries meet US on preference questions and wld use full authority only if Canada delivers substantially entire package.

8. TAC took this stand partly recognition intrinsic importance Canadian negots including concessions on preferences we hope obtain from Canada, partly in hope forestall imminent collapse third-country negots in Torquay, partly to secure invaluable Canadian help in difficult negots other Commonwealth countries re preferences now at crucial stage. Reduction Canadian preference in favor Australia on raisins, canned peaches, reduction UK preferences cheese, salmon and others wld be highly significant break preference system.

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[6] Not printed.

*End memo.*

9. Regret necessity emphasize vital importance speed but clearance in time to be useful in preference negots other Commonwealth countries essential. Hope for reply by Mar 21.

Sent niact Dept 552; rptd info London 223 for info Goldwasser.

CORSE

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394.31/3-1751: Telegram

*The Acting Chairman of the United States Delegation to the Torquay Conference (Corse) to the Secretary of State*

SECRET NIACT TORQUAY, March 17, 1951—5 p. m.

555. Eyes only Beale.[1] Fol are considerations pertinent to TAC recommendation transmitted Deltel 552.

1. Reps various agencies were in difficult procedural position. Without exception, Labor absent, reps were in favor of proposed package deal with Canada. However, package contained for each representative one or more products on which he had instructions to oppose or dissent: Defense, aluminum; Treas, aluminum; ECA instructed abstain aluminum; Commerce, plywood; Interior, canned salmon and aluminum; Agri, Cheddar cheese. The vote was State, Agri, Defense, Commerce, Durand, and Interior, for; Treas and ECA reserved; Labor absent. Basis of votes for was that as package motion acceptable but not voting specific concession on individual items from key list of Douglas fir plywood, canned salmon, aluminum, birch plywood and Cheddar cheese in isolation. Several reps stated Pres shld approve recommendation on all 5 items or on none and no condition should be placed on the granting of any single item that did not apply to all 5. For example, authorization for Cheddar cheese concession shld not be tied to obtaining concession from Canada on raisins.

2. At time acting chairman forced because of trend Canada negots to step into negots, Canadians rightly or wrongly were prepared accept no agreement with US or at most limited agreement containing only non-controversial products both ways. Such limited agreement wld have no economic significance and its possible political significance might boomerang because of evident insignificance. The Canadians lent themselves no path of retreat in event US had accepted proposal for limited agreement.

3. Action re Canada has important effect on success or failure negots other Commonwealth countries, especially preference issue which in UK concessions involves importantly agri products, in Australia non-agri products. Substantial agreement with Canada and Canada's commitment not to stand in way of reductions by other Commonwealth countries of preferences Canada enjoys in those markets, important

[1] Wilson T. M. Beale, Jr., Acting Chief, Commercial Policy Staff.

incentive for other Commonwealth countries also to successfully conclude substantial agreements with US.

4. Because importance successful conclusion substantial agreement with Canada, suggest highest level Dept discuss issues involved with highest level Commerce, Agri, Defense, Treas, ECA, Interior and Labor (although Labor absent consistently opposed concessions aluminum). In addition to stating importance substantial agreement Canada to whole trade agreement program and reciprocal benefits arising out of agreement itself, suggest broadest level considerations including substantial contribution such agreement wld make to vital maximum integration Canadian and US economy, calling attn to fact this undoubtedly last time for several years such opportunity present.

5. Understand Sawyer [2] strongly in favor aluminum concessions; also Chapman [3] wld agree if convince aluminum concessions required for important agreement Canada.

6. Speedy Pres approval needed for maximum use this agreement in other negots, particularly other Commonwealth countries; also because some of schedules both ways makes technical problems enormous in light Mar 31 cutoff date.

CORSE

[2] Charles Sawyer, Secretary of Commerce.
[3] Oscar L. Chapman, Secretary of the Interior.

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394.31/3–1751 : Telegram

*The Acting Chairman of the United States Delegation to the Torquay Conference (Corse) to the Secretary of State*

SECRET TORQUAY, March 17, 1951—7 p. m.

560. Eyes only Beale. Re Deltel 552. You may wish use fol points in inter-agency discussions or memo SecState to Pres covering memo from chairman TAC. See also squibs sent Spiegel Mar 10.[1]

Reduction recommended cheese less than maximum legally possible, CCC surplus stocks now absorbed by trade, can unlikely obtain any immediate benefit in view their failure meet UK purchase commitments. Similarly birch plywood reduction is less than maximum permissible and this material now short supply likely remain so for foreseeable future. Aluminum concession even more inconsequential in terms immediate effects trade but in addition to pol importance to Canad wld provide dollars and wld lay basis economic use resources as between two countries conforming to announced US policy in reaffirmation Hyde Park Agreement last fall.[2] All these concessions share

[1] Reference not clear.
[2] This refers to the industrial mobilization agreement effected by an exchange of notes between the United States and Canada at Washington on October 26, 1950 (1 UST 716). For text of the "Hyde Park Agreement", that is the Statement of Principles for Economic Cooperation annexed to the United States note, see Department of State *Bulletin*, November 6, 1950, p. 743. For text of the original Hyde Park Agreement of 1941, see *ibid.*, April 26, 1941, p. 494.

characteristic they unlikely affect immediate situation US and Canad producers but of highest importance US and Canad in long run and hence time particularly opportune obtain great deal such offers. Shld be remembered also Canad position includes dropping requests cattle, potatoes, ground fish fillets, paper, soybean oil and linseed oil cake and meal, items of key interest to Canada.

Re birch plywood domestic production 1947 146.2 million square feet, later data not available but demand strong. By comparison imports 1947 23.3 million square feet, less in 1948 and 1949 but increased to 46.8 in first eleven months 1950 result rearmament program and shortage building materials. Domestic industry also in strong position result general expansion uses plywood and special demands for radio television cabinets. Canad attaches disproportionate importance this concession account their desire for concession substantial value to an eastern industry.

Breakdown of negots with Canad might have seriously adverse effect on Canad enthusiasm for cooperation with US in the joint defense program for integration of North Amer econ resources under the principles of the Hyde Park Agreement as reaffirmed last October.

CORSE

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394.31/3-1751 : Telegram

*The Acting Chairman of the United States Delegation to the Torquay Conference (Corse) to the Secretary of State*

SECRET TORQUAY, March 17, 1951—9 p. m.

PRIORITY

563. USTAC. For Brannan[1] and Rossiter[2] from Schwenger.[3]

1. As reported Deltel 552 TAC members recommend meeting heads of agencies connection crisis Canada negots affecting entire conference.

2. In summary Canadians feel no agreement possible (or limited agreement of little value except as window dressing and containing no agric items of importance) unless we somewhat expand offers to give some substantial benefits to areas of interest in Canada not now covered. This wld probably mean no agreements or only limited one with other Commonwealth countries and therefore no significant reduction preferences. On other hand, if we add offers few key items Canada will give substantial concessions making agreement we judge valuable and will *help get other preferences reduced.*

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[1] Charles F. Brannan, Secretary of Agriculture.

[2] Fred J. Rossiter, Associate Chief, Bureau of Foreign Agricultural Relations, Department of Agriculture.

[3] Robert B. Schwenger, Department of Agriculture member on TAC at Torquay.

3. TAC therefore recommended that there be considered interdepartmentally at the highest level granting certain key concessions on which one or more TAC members now dissent. The dissent items are aluminum, plywood, canned salmon and cheddar cheese.

4. In spite great difficulties involved in cheese concession, I and other agric members del recommend you give most favorable possible consideration going along with reduction cheddar cheese duty to 3 cents not less than 15 percent in connection with agreement heads other interested agencies go along with reduction other items involved. Fol paras contain some particular points you will wish consider.

5. Agreement recommended reftel will include fol concessions on US agric products Canada imports of which in 1949 amounted over 11 million dols: reductions in preferences on raisins, currants, canned peaches, and hog casings as far as other Dominions permit with Canada helping obtain their concurrence in our requests (the del will not give Canada the additional offers requested in reftel unless these requests are substantially met); salt pork and beef in barrels, free entry; apples free entry May 20 to July 1, ½ cent per lb Aug 1 to May 19; poultry and game NOP, 12½ percent; frozen vegetables 17½ cents lb; grapefruit juice 10 percent, canned poultry and game NOP, 15 percent; canned pork 25 percent; condensed and evaporated milk, 3 cents lb; dried whey 3½ cents per lb; powdered milk, NOP, 4 cents lb; milk foods NOP, 17½ percent; soybean flour 17½ percent; cut tobacco 65 cents lb; grape juice 20 cents gal; wool free; and number of others; Canada will join US in positive effort get other Dominions release other preferences now given by Canada where US has interest; Canada will make no objection to reductions in preferences by other Dominions on list US request items even though Canada has interest.

6. On US side, agreement will include fol items, imports of which into US from Canada 1949 were valued under 4 million dols: cheese as above; sheep and lambs; 75 cents head; frozen or prepared blue berries 8¾ percent; cream 15 cents per gal within present quota; tallow ⅛ cent per lb plus ¾ cent IRC tax, mustard seed ⅞ cent per lb; beets (not sugar), 5 percent; grape juice, 45 cents per gal; flax tow, ¼ cent per lb; flax straw, 75 cents per lb; hybrid seed corn, 12½ cents per lb; grape seed, 2½ cents per lb IRC tax (no duty) mixed feeds, 2½ percent; onion sets, 1¼ cents per lb; and some other items.

7. Canada will join with US in getting reduction Brit preference cheddar cheese from 15 percent to 10 percent. This preference item specifically understood by Canada as part of package on basis of which agreement wld be completed.

8. Cattle will not be in Torquay agreement. Canada originally asked concession on feeders and we were prepared agree. Canada feels on balance wiser encourage feeding to heavier weights in Canada. Withdrew request.

9. Potatoes will not be in Torquay agreement. Canada pushed hard for concession, considers this key item but now accepts our statement no concession possible.

10. Canada anxious bargain increase periods her prohibitive in-season duties on vegetables for decrease her low off-season rates. This now dropped. No concessions by Canada on fresh vegetables.

11. Preference situation complicated. If Canadian agreement fails, probably impossible obtain adequate concessions UK and other Dominions warrant grant authorized concessions wool, whiskey, cotton and woolen textiles, china, earthenware, and others. With good Canadian agreement may break through on preferences and force good agreements all around. Our recommendation based assumption satisfactory solution preference question plus good agreement Canada, taken together, desirable for Agric's interest looked at broadly. Without good Canadian agreement, Torquay contribution solution preference question improbable.

12. Agric has taken strong position favor aluminum concession. [Schwenger.]

CORSE

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394.31/3-1751 : Telegram

*The Acting Chairman of the United States Delegation to the Torquay Conference (Corse) to the Secretary of State*

SECRET TORQUAY, March 17, 1951—11 a. m.

564. GATT negots with Brit Commonwealth in crisis stage. USDel efforts obtain adequate return for US offers tariff concessions are blocked by refusals members Commonwealth give each other releases on preferences. No hope of other than token agreements with UK, New Zealand, Australia or of granting latter two controversial concession on wool of long-term value to South Africa unless all members Commonwealth there represented Torquay for final stages and are willing enter multilateral discussion such as produced last-minute solution similar impasse Geneva 1947.[1]

South African del stated leaving Torquay under orders Wed Mar 21, altho bilateral negotiating stage conference due last to Mar 31 and special session CP's called March 29. South Africa suggested last week limited negots for co-listing South Africa as direct beneficiary wool concession in return for statistical surplus duty concessions previously offered in Art XXVIII negots[2] plus small new offers and

[1] For documentation regarding the problem of wool in the formulation of the United States position in 1950 for the Torquay negotiation, see *Foreign Relations*, 1950, vol. I, pp. 791 ff. Regarding the question of wool at the Geneva Conference in 1947, see *ibid.*, 1947, vol. I, p. 1074.

[2] The Article XXVIII negotiation with South Africa had been long and complicated and on one important item (auto parts) the United States had been overcompensated.

recession some preferences in Canada. US agreed negot but intimated South Africa offers to date inadequate and some additional Commonwealth preference releases necessary to justify granting wool concessions to Southern Dominions as whole premature departure South African del undoubtedly make more difficult, if not impossible, Brit Commonwealth negots now seriously threatened by preference log jam. In case collapse, South Africa will lose wool concessions, the one important concession South Africa stands to obtain Torquay.

In accepting South African suggestion limited negots USDel gave important weight to such intangibles as (1) Satisfactory South African response on Art XXVIII compensation; (2) Low level South African tariff and preferences; and (3) Known South African economic and tariff problems. Request for further South African preference releases deemed most moderate.

Wld assist greatly if Emb cld make appropriate approach resulting in instr South African del remain Torquay to end conference and to yield reasonably on preferences where essential on over-all basis assist in comm obtaining concession on wool.

Sent Pretoria 3 for Birch,[3] rptd info Brussels 12,[4] Dept 564.

CORSE

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[3] John A. Birch was Economic Affairs Officer at the Embassy in the Union of South Africa.

[4] The designated head of the Delegation of the Union of South Africa to the Torquay Conference was Dr. P. R. Botha, Union Minister to Belgium. The head of the Union negotiating team at Torquay was G. J. G. Steyn.

394.31/3–1851 : Telegram

*The Acting Chairman of the United States Delegation to the Torquay Conference (Corse) to the Secretary of State*

SECRET TORQUAY, March 18 [*17?*], 1951—9 p. m.

565. Wld appreciate it if Allen cld bring appropriate elements mytel 3 to Pretoria rptd Brussels 12 Department 564 to attention Botha SoAfr Min Brussels, leader SoAfr del this conference and endeavor enlist his support this del's effort try complete successful and substantial negots with Brit Commonwealth.[1]

Sent Brussels 13, rptd info Dept 565, Pretoria 4.

CORSE

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[1] In telegram 1238, March 19, 5 p. m., to Brussels, the Department supported strongly the Delegation's requests in Torquay telegrams 564 and 565 (394.31/3–1951). In the meantime, the Union Government had cabled instructions to Steyn to remain in Torquay (Capetown telegram 26, March 19, 4 p. m., 394.31/3–1951). In Brussels Minister Botha assured the United States Embassy that "South Africa has no intention abandon Torquay." (Brussels telegram 1515, March 19, 5 p. m., 394.31/3–1951).

394.31/3-1851 : Telegram

*The Acting Chairman of the United States Delegation to the Torquay Conference (Corse) to the Secretary of State*

SECRET TORQUAY, March 18, 1951—1 p. m.

NIACT

567. UK informed us last week that no further concessions cld be offered, particularly on agric products we consider essential. Team has drawn up list of possible withdrawals for eventuality of limited agreement not containing any difficult US items, but list wld be so extensive that there wld be little advantage in such limited agreement, and we are considering all possible alternatives.

Corse last night saw Holmes and on personal basis informed him details of further concessions we require in return for our total offers. Divided these into "key" items on which concessions essential, secondary items from which substantial concessions expected, and other items. Also indicated items in Australia and New Zealand on which we expect preference releases from UK. Holmes responded with usual arguments against UK making concessions, and usual insistence that US pay twice for preference releases, and at conclusion of long talk gave no indication what action if any UK wld take.

Situation has now reached point where immediate action must be taken to prevent failure of negots. As indicated above limited agreement on basis of present UK offers wld be worthless and do no credit to GATT or TA program. Believe it is still possible persuade UK and Australia make further offers but in case of UK at least we feel only intervention at high levels can break deadlock. Accordingly we have suggested to Emb London that high level approach be made there immediately. We suggested Emb stress need agreement here at this time when cooperation so widely discussed in US and unfortunate consequences of public disagreement obvious. Also, in view UK del's reference to Batt's [1] Eastbourne speech, implying this indicated our position not consistent with ECA policy, we suggested Batt might also make clear at high level that ECA desire help UK does not remove need UK make its contribution our joint effort.

Have suggested Emb proceed early as possible Monday unless Dept instructs to contrary.[2]

Sent Department 567; repeated info London 224.

CORSE

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[1] William L. Batt, Chief, ECA Mission in the United Kingdom.

[2] In telegram 474, March 18, 7 p. m., to Torquay, the Department of State endorsed the Delegation's position described herein and indicated that "prompt consideration" would be given to the proposal for a personal message from the Secretary of State to the British Foreign Secretary (394.31/3-1851).

394.31/3-1851 : Telegram

*The Acting Chairman of the United States Delegation to the Torquay Conference (Corse) to the Secretary of State*

SECRET TORQUAY, March 18, 1951—2 p. m.

NIACT

568. USTAC. No distribution outside State Dept.

1. Successful conclusion US bilateral negots at Torquay with UK, Canada and other Commonwealth countries jeopardized by intransigent position of Australian del under instrs Australian Govt.[1]

2. Chance of other than limited agreement with UK on which there wld be grave doubt desirability concluding (other words, no agreement might easily be better than limited agreement) forestalled by refusal Austral del to give releases of bound margins of preferences in UK market so that UK cld give concessions to US on cheddar cheese, unsweetened condensed milk, unsweetened milk powder, raisins, preserved fruits. Such agri concessions essential among others for agreement with US in which the US cld grant concessions on substantial list of items of primary interest to the UK which hold best promise of contribution to sterling dollar gap problem.

3. Austral del under instrs refuses grant releases to Canada which wld enable Canada to grant concessions to US on raisins, dried currants and canned peaches. Canada committed to give US any concession on these products that Austral will agree to. As indicated Deltel 552 no Canadian concession these items jeopardizes package deal agreement with Canada which, as now constituted, wld contribute substantially to integration US-Canadian economies.

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[1] The United States negotiation with Australia was plagued with grave difficulties from the beginning of the Torquay Conference, necessitating a postponement of the opening of the actual negotiations from October 25 to November 24, 1950. This was because of disagreement within the United States Executive Branch as to the offer of the wool concession to Australia. (See *Foreign Relations*, 1950, vol. I, pp. 791 ff.) When the negotiation finally did start, the United States team immediately adopted the position that because of the scope of the United States wool offer the Australian offers were completely inadequate quantitatively as well as qualitatively.

The generality of the problems besetting the negotiation as viewed from the United States side included the following elements: (1) The "justifiable high price" that the United States put on making a substantial reduction in duty on wool (the only important United States offer) and the consequent desire of the United States to obtain a substantial list of reciprocal concessions from Australia—particularly the insistence of the United States Department of Agriculture in obtaining concessions in the form of reductions of Commonwealth preference for the United States agricultural exports to Australia and other Commonwealth markets; (2) "The protectionist philosophy prevailing in Australia with its resulting refusal to grant meaningful concessions on manufactured products (again principally reduction in margins of preference)"; (3) Continued and strong support by Australia for the Commonwealth preference system; "there appeared to have been an understanding among Commonwealth countries, even partially agreed to by Canada, that margins of preferences would not be reduced substantially during the Torquay Conference." (Report to the Secretary of State, Torquay Conference, Lot 57 D 284, Box 139)

4. In realization US concession wool must be accompanied by sufficient reductions Austral duties and preferences in Austral market and by UK and Canadian concessions involving reductions in margins of preferences on certain agri products listed above as minimum, US has indicated to Austral del necessity consider whether offer on wool shld be withdrawn and consequently no agreement with Austral or whether offer on wool shld be modified. Austral del stated modification US wool concession also probably means no agreement.

5. Austral attitude key to successful conclusions negots with Commonwealth in sense that if maintain present approach practically assures nothing other than limited agreement UK and restricted agreement with Canada and even under some circumstances no agreements.

6. Austral del pleaded lack of cabinet[2] and impossibility any Austral polit group agree reduction in Canada and UK preferences on dried and preserved fruits. On other hand USDel pointed out difficulty any Austral polit party refusing accept wool concession no matter what present economic value such concession might have.[3] Furthermore USDel indicated results Torquay conference not made public until May 9, well after April 28 Austral elections, while possibility good that info re inability Austral and US to arrive at successful conclusion of agreement might well become public knowledge prior April 28 because UK and Canada cld use this fact as excuse or explanation of why negots with US were not more successful.

7. In view period for bilateral negots expires March 31 suggest strongest high level approach soonest to Austral Govt at Canberra and Wash for purpose preventing partial or even complete collapse US negots with Austral, UK and Canada. For Austral negots US requires in addition recession specified preferences.

(1) Agreement reduce preference margin in revising automotive items tariff;

(2) Agreement negotiate with Southern Rhodesia for reduction tobacco preference within reasonable time.

Austral del stated present offers to US with some improvement adequate warrant US wool concession. Austral offers consist reduc-

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[2] The Government of Australia was relatively new in office after a long period of years in opposition during which it had consistently criticized the Labor Government's adherence to GATT and the concessions granted under it. It had an adverse majority in the upper house of the Australian Parliament, and during the life of the Torquay Conference, encountered serious labor troubles and a legislative crisis so serious that it had to resort to the dissolution of Parliament and an appeal to the electorate. During the crucial last weeks of the Conference the Australian Government was a caretaker government.

[3] During the negotiating stages of the Conference the price of wool, already very high, steadily climbed to previously unknown levels, decreasing the ad valorem incidence of the United States specific duty on raw wools to a low level which constituted no significant barrier to trade.

tions generally primary with resulting rate still remaining high and margin of preference continuing large. Trade coverage present Austral offers at best 21.5 million dols while trade coverage US wool offers 70 million. If US offers valued at only 50 percent still outbalance Austral offers.

8. Not contemplated that New Zealand and South Africa wld present insurmountable obstacles to conclusion successful negots with Commonwealth. Canada will not object to reductions in preferences on important items of interest US.

Sent Dept 568, rptd info niact Canberra unn.

CORSE

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394.31/3–1951 : Telegram

*The Ambassador in the United Kingdom (Gifford) to the Secretary of State*

SECRET

LONDON, March 19, 1951—7 p. m.

4999. Torquay tel 567 Mar 18 to Dept. Fol is text of note which I delivered to Younger [1] today:

"I have honor to refer to tariff negots between US and UK which now going on at Torquay. My govt places great importance on success of these negots and is concerned over possibility that present position of Govt of UK at Torquay will make it difficult to achieve successful outcome.

"Our del at Torquay is authorized to make substantial tariff concessions to UK providing comparable concessions recd in return. These concessions wld include number of items, such as wool, textiles, china and earthenware, which wld be of significant value to UK in furthering its dollar export drive, particularly in light of increased emphasis which must be placed upon items of this type as rearmament reduces export potential of engineering industries. These items are of course also ones upon which concessions to UK wld meet most resistance in US. Concessions on these items without adequate reciprocal concessions from UK wld contravene basic principle of tariff reduction program. The tariff concessions now proposed by UK at Torquay not in judgment of my govt adequate in light of concessions which we have offered. We wld not be willing to proceed with an agreement on basis these offers.

"I am sure you will share my view that failure of our two govts reach satis tariff agreement at Torquay wld have serious adverse consequences. It wld strengthen those elements in both UK and US which have consistently opposed cooperation between our two countries to reduce tariff barriers. In my judgment we now at stage in relations between our two countries when any evidence of disagreement between us likely have adverse effects on Anglo-Amer relations out of proportion to those which such a development wld have in normal times. Conversely, any evidence of agreement is more helpful than usual

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[1] Kenneth G. Younger, Minister of State, British Foreign Office.

in strengthening Anglo-Amer solidarity which we all agree is so essential these days. I hope it will be possible for UK to review its position in this matter and make adjustments in its tariff offers which wld make possible conclusion of successful agreement. In view of deadline of Mar 31 which has been set for end of bilateral negots at Torquay it wld be most helpful if this cld be done promptly."

Sent Dept 4999, rptd info Torquay 143.

GIFFORD

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394.31/3–2051 : Telegram

*The Acting Chairman of the United States Delegation to the Torquay Conference (Corse) to the Secretary of State*

SECRET TORQUAY, March 20, 1951—6 p. m.

580. Sir Stephen Holmes and Casdagli called on Corse and Lewis today and in lengthy mtg no progress was made. Holmes had copy of Emb London's note (London 4999 to Dept) but stated he was "not much impressed by Ambassadors or Fon Mins" and that he was responsible for the tariff negots. They continued to urge we specify exactly what their present offers were worth; we made clear again that their offers wld justify at most US concessions on limited number of items from original US offer list including only few if any items which UK considered important.[1] In view this and because of continued lack UK agric and pref concessions questionable whether limited agreement, which wld do no credit to either party, wld be acceptable to either or both US and UK. We continued to urge that they try to obtain pref releases from Commonwealth; in reply they merely made gen refs to the importance of UK–Commonwealth relations. We left no doubt we preferred no agreement to unsatis limited agreement, though we have not closed door entirely to latter. We will consider again what US offers wld be on basis existing UK offers but expect it will be clearly evident agreement such basis not only meaningless but undesirable.

Sent Dept 580; rptd info London 231.

CORSE

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[1] See annex to Casdagli letter to Lewis, March 14, p. 1275.

394.31/3-2151

*Memorandum by the Assistant Secretary of State for Economic Affairs (Thorp) to the Secretary of State*

SECRET [WASHINGTON,] March 21, 1951.

Subject: Negotiations with British Commonwealth Countries at Torquay

*Discussion:*

The Torquay tariff negotiations with British Commonwealth countries have reached a critical stage.

*Canada.* The Committee on Trade Agreements has recommended a package deal with Canada which, if carried out, would result in a substantial agreement with that country. As an essential part of the deal it is necessary to secure authority from the President to make additional offers, including offers on five controversial items. The deal has been approved by the majority of the Committee with only the Department of Agriculture dissenting. A memorandum to the President urging approval of the Committee's recommendations is submitted herewith.

*Australia.* Our negotiations with British Commonwealth countries at Torquay are jeopardized by the intransigeant position of the Australian Delegation acting under instructions from the Australian Government.

Australia has contractual rights to margins of preference on certain important agricultural products in the United Kingdom (Cheddar cheese, condensed milk, milk powder, raisins, preserved fruits) and in Canada (raisins, dried currants and canned peaches). The Australian Delegation has refused to give releases on these bound margins. Therefore the United Kingdom cannot give concessions to the United States which are essential to a successful agreement between the United Kingdom and the United States. Similarly, Canada cannot give concessions to the United States which are essential to the conclusion of the package deal with Canada which has been recommended.

The United States has offered Australia a concession on wool, and on other less important products. The concession on wool can be justified only if we get, in return, (1) substantial reductions in Australian duties and preferences in the Australian market and (2) concessions by the United Kingdom and Canada involving reductions in the margins of preference enjoyed by Australia on these particular agricultural products in the markets of these countries.

Australia holds the key to the successful conclusion of negotiations with the Commonwealth countries in the sense that if they maintain their present intransigent attitude, we can expect only a very limited agreement with the United Kingdom and a restricted agreement with

Canada, and it is even possible that we may have no agreements with any of the Commonwealth countries.

The Australian Delegation has stated that the offers Australia has already made to the United States would, with some improvement, be adequate to balance the United States wool concession. The United States Delegation considers that a balanced agreement can only be reached if Australia (*a*) agrees to release the bound margins on the agricultural products at issue, (*b*) agrees to reduce the preference margin in revising its tariff on automotive items, and (*c*) agrees to negotiate with Southern Rhodesia for reduction in the tobacco preference within a reasonable time.

*United Kingdom.* Our negotiations with the United Kingdom have reached a critical stage. In the opinion of the United States Delegation the present United Kingdom offers are not sufficient to provide even a limited agreement in fair balance. The United Kingdom Delegation has indicated that they are not prepared to offer any further concessions, particularly on certain agricultural products which also involve releases on bound margins of preference by other Commonwealth countries. The United States Delegation takes the view that a limited agreement on the basis of the present United Kingdom offers would be worthless and would do no credit either to the General Agreement or to the Trade Agreements program. The United States Delegation has urged the United Kingdom to try to obtain preference releases from the Commonwealth countries but the United Kingdom Delegation has replied merely by general references to the importance of United Kingdom–Commonwealth relations and has given no indication of intention to assist in a resolution of the present impasse. There is every indication that the British are strongly opposed to any concessions involving substantial reductions in preferences. The United States Delegation has left no doubt that they would prefer no agreement to an unsatisfactory limited agreement, though they have not closed the door entirely to the latter possibility. They have undertaken to consider again what United States offers could be made on the basis of existing United Kingdom offers, but they expect that it will be clearly evident that an agreement on such a basis would not only be meaningless but undesirable. It is clear that the United Kingdom Delegation does not believe that the United States is prepared to accept no agreement and is convinced that we will eventually accept a limited agreement.

*New Zealand.* It is expected that an agreement can be reached with New Zealand, providing that country is prepared to release bound margins of preference on the key agricultural products which are at issue in the Commonwealth negotiations. Should Australia and the United Kingdom agree to our requests involving the preference issue it is not thought that New Zealand would stand in the way of the con-

clusion of successful agreements with the other Commonwealth countries.

*South Africa.* It is expected that an agreement can be reached with South Africa, though on a limited basis because of the relatively low South African tariff. It would be necessary for South Africa to give releases on the key preferences; but, as in the case of New Zealand, South Africa would not be likely to prevent the successful conclusion of negotiations with the other Commonwealth countries.

*Ireland.* Ireland has contractual rights to margins of preference granted by the United Kingdom on three key agricultural products, namely, Cheddar cheese, condensed milk unsweetened and milk powder unsweetened. The United Kingdom must therefore obtain releases from Ireland, in addition to other Commonwealth countries, in order to make concessions to the United States on these items. The fact that Ireland is not negotiating at Torquay complicates the problem of obtaining the agreement of Ireland to release the United Kingdom from the bound margins on these items. The United Kingdom Delegation has indicated that it would be difficult to get releases from the Irish Government, but, to the best knowledge of the United States Delegation, they have not yet made any effort to obtain such releases. It may be necessary for the Embassy in Dublin and the Department to seek the cooperation of the Irish Government in agreeing to the necessary releases.

*Recommendations:*

1. That you support the request of the Committee on Trade Agreements for approval of the package deal with Canada, as set forth in the attached memoranda.[1]

2. That, if Presidential approval of the Committee's request is obtained, you inform the Australian Ambassador

*a.* That we are seriously concerned over the unwillingness of the Australian Delegation to improve their present offers and particularly their refusal to give releases to the United Kingdom and Canada on bound margins of preference on certain key agricultural products.

*b.* That, in our opinion, a balanced agreement with Australia can only be reached if Australia (1) agrees to release the bound margins on the agricultural products at issue, (2) agrees to reduce the preference margin in revising its tariff on automotive items, and (3) agrees to negotiate with Southern Rhodesia for reduction in the tobacco preference within a reasonable time.

*c.* That the Australian Government would assume a grave responsibility if the maintenance of their present position results in the collapse of negotiations with the other countries of the British Commonwealth.

3. That, if Presidential approval of the Committee's request is obtained, you inform the British Chargé d'Affaires

[1] *Infra.*

*a.* That we are seriously concerned over the unwillingness of the United Kingdom Delegation to improve their present offers, particularly on the agricultural products which we consider essential to the conclusion of an agreement in fair balance.

*b.* That we cannot go against a basic principle of our trade agreements program by making concessions to the United Kingdom without receiving adequate reciprocal concessions.

*c.* That the offers proposed by the United Kingdom are not in our judgment adequate in the light of the concessions the United States has offered.

*d.* That we have, as the British Government is no doubt aware, agreed with the Canadian Delegation on the basis for an exceptionally satisfactory agreement with Canada. This agreement hinges in part on the willingness of the British Government to grant certain reductions in margins of preferences which Canada is willing to release. It would be extremely unfortunate if lack of cooperation on the part of the British Government were to prevent our reaching a significant agreement with Canada.

*e.* That we would not be willing to proceed with an agreement on the basis of the present United Kingdom offers, and are prepared to accept no agreement with the United Kingdom if our Delegation so recommends.

*f.* That the failure of our two governments to reach an agreement of real significance would be widely interpreted as evidence of disagreement between the United States and the United Kingdom which at this stage in our relations might have disproportionately adverse effects. It would strengthen the interests in both countries which have opposed our cooperative efforts to reduce trade barriers. Evidence of our ability and willingness to negotiate a meaningful agreement would be more than usually helpful in strengthening the solidarity between our two countries.

*g.* That it is hoped the United Kingdom will reconsider its position and make the adjustments in its offers which will allow us to conclude a successful agreement.

*Concurrences*:

L/E, H, EUR/BNA

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394.31/3–2151

*Memorandum by the Assistant Secretary of State for Economic Affairs (Thorp) to the Secretary of State*

SECRET [WASHINGTON,] March 21, 1951.

Subject: Recommendations to the President on additional Offers to be made by the United States to Canada at the Torquay Tariff Negotiations

*Discussion:*

The Trade Agreements Committee has developed a package deal for an agreement with Canada at Torquay. If the deal is approved the

two countries would have a substantial agreement in reasonable balance. Canada's part of the package would include (1) all the offers Canada has made to us at Torquay up-to-date, (2) her agreement to release all preferences that Canada accords or enjoys in which we are interested, and (3) certain additional offers of value to us. The United States part of the package would include (1) all the offers we have made to Canada up-to-date and (2) certain additional offers which the Committee recommends be authorized.

An agreement on the basis of these offers would cover a wide range of products on both sides. Imports into Canada from the United States in 1949 of items covered by the Canadian offers were valued at $284 million, or 14.5 percent of total imports into Canada from the United States in that year. Imports into the United States from Canada in 1949 of items covered by the proposed United States offers were valued at $131 million, or 8.5 percent of total United States imports from Canada in that year.

Without exception the members of the Committee at Torquay (the Labor Department representative was absent) voted in favor of the proposed package deal with Canada. However the package contained for certain members one or more products on which they had instructions to oppose or dissent: Defense, aluminum; Treasury, aluminum; ECA, instructed to abstain on aluminum; Commerce, plywood; Interior, canned salmon and aluminum; Agriculture, Cheddar cheese. Therefore, where such action was necessary, the final decision on the votes cast was referred to the respective Departments in Washington, with recommendations in favor of approving the package deal. The votes in favor were cast on the basis that as a package the motion was acceptable but not voting specific concessions on individual items from the key list in isolation. Several representatives on the Committee stated that the President should approve the recommendation on all of the five key items or on none, and that no condition should be placed on the granting of any single item that did not apply to all five items. For example, the authorization for the concession on Cheddar cheese should not be tied to obtaining a concession from Canada on raisins.

At the time when the Acting Chairman of the United States Delegation was forced, because of the trend of the negotiations with Canada, to step into the negotiations, the Canadians, rightly or wrongly, were prepared to accept no agreement with the United States or at most a limited agreement containing only non-controversial items on each side. Such a limited agreement would have no economic significance and its possible political significance might boomerang because of its evident insignificance from an economic viewpoint. The Canadians, however, left themselves no path of retreat in the event that the United States accepted their proposal for a limited agreement.

Our action regarding an agreement with Canada will have an important effect on the success or failure of our negotiations with the other British Commonwealth countries, especially as regards the preference issue. In the case of the concessions which we seek to obtain from the United Kingdom, this issue involves important agricultural products and in the case of concessions from Australia it involves non-agricultural products. The conclusion of a substantial agreement with Canada, and Canada's commitment not to stand in the way of reductions by other Commonwealth countries of preferences Canada enjoys in those markets, would, it is believed, provide an important incentive for other Commonwealth countries also to conclude substantial agreements with the United States.

With one exception the Departments in Washington represented on the Committee have approved the recommendations of the Committee, although the Department of Commerce has requested that it be recorded as voting against, but not dissenting from, the recommendations on plywood.

The Department of Agriculture is the only Department dissenting from the recommendations of the Committee. It has dissented because of the offer on Cheddar cheese, which is an essential part of the package deal. The views of the majority of the Committee and the dissenting statement of the Department of Agriculture on this item are contained in Annex B to the Memorandum to the President. The Department of Agriculture has also dissented from the majority recommendation on onion sets, and its statement is contained in Annex C.[1]

At this stage in the negotiations we are confronted with three possible alternatives: (1) Complete collapse of our negotiations with Canada and other British Commonwealth countries, which would have grave political and economic repercussions; (2) limited agreements of no economic significance, which would be recognized here and abroad as tantamount to failure; and (3) a substantial agreement with Canada, which would mean that, with the help of Canada, we might possibly obtain satisfactory agreements with the United Kingdom, Australia and the other Commonwealth countries.

Collapse of our negotiations with Canada might have seriously adverse effects on Canada's enthusiasm for cooperation with the United States in the joint defense program for integration of the economic resources of North America under the principles of the Hyde Park Agreement as reaffirmed last October.

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[1] The TAC memorandum to President Truman, dated March 23, is not printed, nor are any of its annexes (394.31/3–2351).

*Recommendation:*

It is recommended that you sign the underlying memorandum transmitting the recommendations of the majority of the Committee to the President and supporting the Committee's requests for approval.[2]

*Concurrences:*

L/E, H, EUR/BNA.

[2] In a strong supporting memorandum also dated March 23 the Secretary of State forwarded to President Truman the TAC memorandum of March 23 with its annexes. Secretary Acheson cited to the President "broad policy considerations" as favoring approval of the TAC position on the Canadian negotiation: "the proposed concessions would enable us to make a very substantial agreement with Canada and, in addition would secure the valuable support of Canada in the difficult negotiations with the other Commonwealth countries regarding preferences. . . . Also, a highly significant break in the British Commonwealth preferential system would be made by Canadian reduction of preferences extended to other Commonwealth countries." (394.31/3–2351)

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394.31/3–2351 : Telegram

*The Ambassador in the United Kingdom (Gifford) to the Secretary of State*

SECRET
PRIORITY

LONDON, March 23, 1951—4 p. m.

5074. Fol are important paras of note from Fon Off[1] in reply to our note reported Embtel 4999:

"His Majesty's Government cannot share view that concessions which their del at Torquay has been authorized to offer, and has offered, are not substantial having regard to difficult period through which UK has been passing in these post war years and having regard to losses of preference in certain Commonwealth markets which UK exports must suffer as a result of some of the other Torquay negots.

"Moreover, it will be within knowledge of US that in certain field other Commonwealth countries have rights in respect of tariff margins of preference which cannot be set aside and are matters in which the govts of those countries themselves must decide whether or not it is possible for them to contemplate diminution of their preferred position. US would, I feel sure, not suggest that such rights can be ignored or that tariff concessions involving an impairment of those rights can be obtained, whether under gen agrmt on tariffs and trade or in any other context, except as part of negotiated agrmts which make for genuine mutual advantage. Those elements in world, which might take encouragement from evidences of disagrmt between this country and US, wld take at least as great encouragement from any evidences of disharmony which tariff arrangements made otherwise than by negotiation might provoke between members of Commonwealth.

"HMG have noted with pleasure that some offers of tariff concessions made on behalf of US by their del at Torquay wld be valuable as

[1] The complete text was transmitted in London despatch 4549, March 27, not printed (394.31/3–2751).

contribution to expansion of UK exports to the dollar market. Insofar as the expansions of UK trade must surely be in the interests of both countries alike, they wld hope that the maximum number of valuable concessions wld be granted by the US and any agrmt which was not of significance in furthering the UK dollar export drive wld be of little value to HMG, nor indeed, cld they defend such an agrmt in Parliament. HMG note and endorse ref which Your Excellency makes to increased emphasis that must be placed on certain items, as rearmament in common interest reduces export potential of engineering industries of this country.

"I trust that Your Excellency will convey to US Govt our earnest desire that they will find it possible to take all these factors into account in re-examining relative value of offers which have been made on each side at Torquay. It is our belief that, if US Govt were to undertake such re-examination, an agrmt cld be made which our two govts wld be able to assure public opinion was in long term interests of both countries."

Sent Department 5074, repeated info Torquay 147.

GIFFORD

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394.31/3–2351 : Telegram

*The Secretary of State to the Acting Chairman of the United States Delegation to the Torquay Conference (Corse)*[1]

SECRET WASHINGTON, March 23, 1951—7 p. m.

PRIORITY

507. USTAC.

1. Package deal with Canad (Deltel 552 Mar 17) approved by Pres today Mar 23. Deal recommended to Pres with only Agri dissenting because inclusion offer Cheddar cheese.

2. Pres' approval covered (*a*) all items specified annex referred to in Deltel 553,[2] (*b*) 2 plywood items (Deltel 557),[2] and (*c*) shelled bitter almonds (Para 756) not previously authorized.

3. On basis approval package deal with Canad, Thorp will (*a*) discuss Austral position with Amb along lines Deltel 568[3] and (*b*) discuss UK position with Brit Chargé along lines note delivered Younger. In addition he will inform Brit as follows: "That we wld not be willing to proceed with an agreement on basis of present UK offers, and are prepared accept no agreement with UK if our Del so recommends".

4. These discussions scheduled Mar 26. Will inform you substance soonest thereafter.

ACHESON

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[1] Repeated to London as 4335.
[2] Not printed.
[3] March 18, p. 1285.

394.31/3-2651 : Telegram

*The Acting Chairman of the United States Delegation to the Torquay Conference (Corse) to the Secretary of State*

SECRET TORQUAY, March 26, 1951—11 a. m.
NIACT

601. USTAC. To Leddy [1] and Beale from Corse. Re problem UK negots. Timing now assuming major importance.

If break with British, (*a*) must adjust several bilateral agreements where offers made to agreement countries are contingent upon granting concession on same item to UK and, (*b*) must revise consolidated US Torquay schedule XX to withdraw British items.

Point (*a*) shld be completed before March 31 under present schedule, point (*b*) must be completed before signing and is not of such major length that must be begun this week to avoid postponing signing. TAC must be available until consolidated. Last practically completed.

Foregoing must have British answer by Wednesday latest or go ahead assumption no UK agreement. Have so informed UK del informally. If UK expands offers, March 31 date conclusion bilateral probably will have to be extended but we may make April 21 signing date.

Suggest Thorp have this in mind conversations today and mention it apparently useful.

Sent Department 601, repeated info London 237.

[CORSE]

[1] John M. Leddy, Deputy Director, Office of International Trade Policy.

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394.31/3-2651 : Telegram

*The Acting Chairman of the United States Delegation to the Torquay Conference (Corse) to the Secretary of State*

SECRET NIACT TORQUAY, March 26, 1951—6 p. m.

603. For USTAC. We are sending immediately fol msg text of proposed note to FonOff replying to its note received by Embassy March 23. We feel deadline for negots must now be set, and accordingly propose that note be delivered preferably tonight but not later than Tuesday morning. Department requested to inform Embassy whether it approves.

Sent priority London 238, repeated info niact Department 603.

CORSE

394.31/3-2651 : Telegram

*The Acting Chairman of the United States Delegation to the Torquay Conference (Corse) to the Secretary of State*

SECRET TORQUAY, March 26, 1951—3 p. m.

NIACT

604. Following is text of proposed note to UK:

I have the honor to acknowledge the receipt of your note of (date) with further reference to the tariff negots between the US and the UK in Torquay.

In making an approach directly to you, my govt was hopeful that your govt wld find it possible to reconsider the position which has resulted in the impasse which has been reached at Torquay. This position, which is reiterated in Your Excellency's note, was, briefly, that the agreement reached at Torquay shld go some way toward the rectification of the imbalance in the trade between our 2 countries, or in other words, that in the agreement the US shld grant important concessions but shld not expect to receive substantial and significant concessions from the UK.

My govt has been keenly aware of the problems raised by the imbalance of trade to which you refer. Indeed, I am sure you appreciate the efforts which my govt has made and is making toward the improvement of the basic econ position of the UK and the other countries of Western Eur and the correction of the difficulties which prevent the re-establishment of a system of multilateral trade and payments.

At the same time, my govt has made it very clear on every possible occasion that in its tariff negots with the UK it cld not make an agreement except on a reciprocal basis. Last July reps of your Emb in Wash raised this question with officer of the Dept of State and implied that a strictly reciprocal agreement wld not be in accord with the spirit of the joint communiqué of Sept 12, 1950. In reply it was pointed out by the US reps that, while the concessions which the US wld offer at Torquay wld in fact be unilateral, inasmuch as UK concessions wld continue for the foreseeable future to be substantially nullified by quantitative import restrictions, the Govt of the US cld neither publicly nor privately commit itself to come out of the Torquay negots without reaching an agreement which the US cld call mutually advantageous and satisfactory.

A further discussion took place between reps of your Emb and of the Dept of State on Aug 11, 1950,[1] at which time a memorandum was handed to the Emb reps setting forth the US position in some detail. It was stated in this memorandum that while the US was prepared to live up to its responsibilities as a creditor nation and to

[1] See *Foreign Relations*, 1950, vol. I, p. 791.

continue the process of reducing its tariff to a moderate level, the fact that the US was a creditor nation did not mean that other countries shld be entitled to maintain high tariffs or continue tariff preferences. It went on to stress the necessity for improving the ability of the UK and other Western Eur countries to compete in dollar and and other markets rather than relying on the protection of their home industries by high tariffs, and the protection of their export markets by preferences and other forms of discrimination.

Bearing in mind the importance of increasing the dollar exports of the UK, my govt sent its delegation to Torquay authorized to make valuable concessions on almost every item on which a request was made by the UK, as well as on many other items. Offers were in fact made on all the items which are particularly important in the UK's export drive, including wool and cotton textiles, china, earthenware, automobiles, whisky, shoes and other leather goods, and many other products. The granting of concessions as extensive in coverage and depth as those offered wld have aroused a great deal of opposition from affected interests in the US, as well as considerable criticism from members of Congress, but my govt was prepared to face this opposition provided it was able to obtain from the UK concessions which cld be defended as contributing to the objectives of reducing excessive tariff barriers and eliminating discrimination, which are the bases of the general agreement. To meet this test, the concessions offered by the UK wld have had to be broad in scope, to cover a good range of American export products, and to include significant reductions in preferences. The offers made by the UK cover a very limited part of our trade, include no concessions at all on the agricultural products which are among our most important exports to the UK, and contain no significant reduction in preferences. An agreement on this basis cld not be defended in the US from any point of view.

From the outset of the negots, the del of the UK has endeavored to obtain agreement upon a limited list of products on each side, on the US side including only the most valuable and (from my govt's point of view) controversial of our offers, and on the UK side omitting any really important concession on any US request.

Your Excellency's note refers to the rights of other Commonwealth countries with regard to preferences and states that such rights cannot be ignored or impaired except as part of negotiated agreements which make for genuine mutual advantage. The US Govt considers that the concessions which it is prepared to offer to the UK and to the other countries of the Commonwealth wld, if reciprocated, constitute agreements of great mutual advantage. It is for this reason that my govt has urged your govt and the other Commonwealth Govts, in accordance with the rules of procedure of the tariff negots, to agree

to make the releases in preferences which are essential to the conclusion of these mutually advantageous agreements.

During the course of the present negots, my govt has continued to bear in mind all these considerations, and particularly those raised in Your Excellency's note. In accordance with Your Excellency's request, my govt has again re-examined the relative value of the offers which have been made on each side at Torquay. It has not been possible to do other than conclude, however, that the only agreement which cld be concluded on the basis of the UK offers as they now stand wld be one which wld serve no useful purpose and which wld in fact be indefensible in both our countries.

My govt still hopes that the Govt of the UK may find it possible to meet the requests of the Govt of the US to the extent necessary to arrive at a broad, comprehensive and mutually advantageous agreement. In view of the Torquay time schedule, and in order to complete important negots with other countries in time to be included in the Torquay protocol and thus take advantage of my govt's present authority to negotiate under the Trade Agreements Act, my govt believes it will be necessary to decide not later than Wednesday, March 28, whether negots between our 2 countries shld or shld not be continued.

Accept, et cetera, signed Corse.

Sent priority London 239; rptd info niact Dept 604 for USTSC [*USTAC?*].

CORSE

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394.31/3–2651 : Telegram

*The Secretary of State to the Embassy in the United Kingdom*[1]

SECRET WASHINGTON, March 26, 1951—10 p. m.

NIACT

4372. USTAC.

1. Dept concurs in text of note Deltel 604, sent London 239. Following changes suggested.

2. Second para, second sentence: delete "substantial and significant" and add at conclusion of sentence: "of equal value and significance".

3. Third para, second sentence: delete "efforts" and substitute "contribution".

4. Fourth para, third sentence: delete in entirety and substitute following: "In reply it was pointed out by the US reps that, although the US recognized that the concessions which it offered at Torquay would in fact be uncompensated for the time being, inasmuch as the UK concessions to the US would continue to be substantially inopera-

[1] Repeated to the U.S. Delegation at Torquay as niact telegram 514.

tive as a result of quantitative import restrictions, nevertheless the Govt of the US could not commit itself to negotiate an agreement at Torquay other than on a mutually advantageous and satisfactory basis".

Recognize this suggested revision may not be sufficiently close paraphrase of reply made by US reps, but believe we should avoid flat restatement regarding "unilateral" nature of US concessions.

5. Ninth para, third sentence: omit entirely "and which wld in fact be indefensible in both our countries" as being *non sequitur*.[2]

ACHESON

[2] On March 26 the Embassy delivered to the Foreign Office a first person note which incorporated the revisions indicated herein.

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394.31/3-2651

*Memorandum of Conversation, by the Acting Chief of the Commercial Policy Staff (Beale)*

SECRET [WASHINGTON,] March 26, 1951.

Subject: Tariff Negotiations with the United Kingdom at Torquay

Participants: Mr. C. E. Steel, Minister, British Embassy
Mr. R. Burns, Counselor, British Embassy
E—Mr. Willard L. Thorp, Assistant Secretary of State for Economic Affairs
BNA—Mr. Livingston Satterthwaite [1]
CP—Mr. W. T. M. Beale

Mr. Thorp said that he had asked Mr. Steel and Mr. Burns to come in to talk about the Torquay negotiations. He explained that Mr. Acheson would have talked with them but that his schedule was completely filled with meetings with the 20 Foreign Ministers from the Latin American countries.

Mr. Thorp recalled that in the past the United States had been the country at tariff conferences which was accused of being motivated by protectionist sentiment, but the experience at Torquay indicated that the United States no longer played this role. He said that it would appear from the negotiations at Torquay that the United Kingdom was now one of the recalcitrant countries. He said that during the present period, when there were evidences of increasing protectionism throughout the world, the importance of continuing the movement towards liberalization of trade was greater than ever. He said that as the situation now stood at Torquay it seemed possible that the Conference there might end with no accomplishment along these lines. He

[1] Deputy Director, Office of British Commonwealth and Northern European Affairs.

pointed out the importance of having successful negotiations on a reciprocal basis. He said that the offers that the United Kingdom had made to the United States were limited and there was considerable question as to their value. He therefore wanted to urge that the United Kingdom Government take one last look at their offers to see whether they could not improve them in such way as to enable both countries to make a significant contribution at Torquay. He said that we had considered the offers made by the United Kingdom very carefully and that, rather than reach a limited agreement on the basis of their offers, we were quite prepared to consider no agreement if our Delegation at Torquay should recommend that course of action. He said that we felt that our situation might be worse if we were to reach only an insignificant agreement with the United Kingdom than if there were to be no agreement at all. He then went on to note the complications which arose in connection with the Dominions. He said we had reached the basis for a very satisfactory agreement with Canada but that our ability to conclude that agreement depended in part on the willingness of the United Kingdom to take action in connection with preferences granted to Commonwealth countries on certain key agricultural products.

Mr. Steel in response pointed out that, as Mr. Thorp was aware, the present U.K. Government had a slim majority in the Parliament and any reduction in preferences would lay them open to attack, particularly from the Conservative Members of the House of Commons, since the imperial preference system was an important part of the Conservative program. He said that the political situation in Australia was also very critical in that an election was coming up shortly and it would be extremely difficult for the present government to defend the loss of preferential positions in other Commonwealth countries. Mr. Burns said that he was under the impression that the British Delegation had raised no difficulties in connection with the preferences that the U.K. enjoyed in Canada. Mr. Beale pointed out that the problem at issue had to do with preferences which Canada was willing to release in the United Kingdom but which required reductions in United Kingdom tariff rates. Mr. Steel asked how the latter problem arose, and Mr. Beale explained that the Commonwealth countries required payment not only for the concessions which they gave in their own tariffs but for the reductions in margins of preference which they enjoyed in other Commonwealth countries. In response to a question from Mr. Burns, Mr. Beale pointed out that two of the items of particular concern to the United States in the United Kingdom market, in connection with the Canadian negotiations, were Cheddar cheese and canned salmon. He pointed out that the margins of preference on these items were bound not only to Canada but to other Commonwealth countries. In connection with

Mr. Steel's observations on the forthcoming election in Australia, Mr. Thorp pointed out that the United States had offered a most important concession to Australia at Torquay.

Mr. Beale also pointed out that the Australian election would take place on April 28 and the results of Torquay would not be known until May 9.

Mr. Burns said that it was his understanding that the U.S. Delegation had been very reluctant to make known precisely what it wanted of the United Kingdom. He said that Mr. Corse had sometime ago given the British Delegation a "must list" which Mr. Burns felt was obviously a bargaining list and represented much more than Mr. Corse really expected could be given. He mentioned a few of the items on the list in addition to those of particular interest to Canada, and asked whether it was possible to indicate just what the United States felt it must have from this list. Mr. Beale said that he felt that the decision on this matter rested with Mr. Corse and it would not be appropriate to make any suggestions in that connection. He pointed out, however, that none of the items on the list was of concern to domestic producers in the United Kingdom and that what was really needed was a cooperative attitude on the part of the United Kingdom in agreeing to reductions if and when the Dominions concerned indicated their willingness to release the bound margins of preference on such items.

Mr. Steel reiterated very briefly the difficulties which the negotiations presented to the United Kingdom and said that he would communicate to his government the points made in the conversation.

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394.31/3-2651

*Memorandum of Conversation, by the Acting Chief of the Commercial Policy Staff (Beale)*

SECRET [WASHINGTON,] March 26, 1951.

Subject: Tariff Negotiations with Australia at Torquay

Participants: The Honorable Norman J. O. Makin, Australian Ambassador
Mr. Owen Davis, First Secretary, Australian Embassy
E—Mr. Willard L. Thorp, Assistant Secretary of State for Economic Affairs
BNA—Mr. Livingston Satterthwaite
CP—Mr. W. T. M. Beale

Mr. Thorp introduced the conversation by saying that he wanted to express the deep concern of the United States Government regarding the position taken by the Australian Government at the Torquay ne-

gotiations. He reviewed the background briefly, along lines of his conversation with Mr. Steel and Mr. Burns of the British Embassy as recorded in a Memorandum of Conversation of the same date.[1]

Mr. Thorp said that because of the inter-relationship of the imperial preference system Australia seemed to hold the key to the success of the Torquay negotiations but appeared unwilling to take the key out of their pocket and thereby open up negotiations. He said that he appreciated the difficulties of the Australian Government in view of the forthcoming elections but wished to point out that the results of Torquay would not be known until after the elections had taken place. Moreover he felt that no Australian Government could fail to gain if the negotiations were a success and included the concession on wool which the United States had offered at Torquay.

Mr. Thorp said that he would not enter into the details since they were set forth in the *Aide-Mémoire*,[2] which he had prepared for the use of the Ambassador.

The Ambassador said that he could fully appreciate Mr. Thorp's concern and that he would immediately communicate with his Government indicating the deep concern which the United States felt in connection with the negotiations at Torquay.

[1] *Supra.*
[2] See Department of State telegram 255 to Canberra, March 26, 2 p. m., *infra.*

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394.31/3–2651 : Telegram

*The Secretary of State to the Embassy in Australia*[1]

SECRET

PRIORITY

WASHINGTON, March 26, 1951—2 p. m.

255. USTAC. Fol is text of *Aide-Mémoire* handed Amb Makin Mar 26, 11 a m: *Begin verbatim text:* The US Govt is deeply concerned over the unwillingness of the Govt of Austral to improve its present offers to the US at the Torquay Tariff negots. The US is particularly concerned over the refusal of the Austral Govt to give releases to the UK and Canad on bound margins of preference on certain key agricul products important in US trade with those countries.

The US is prepared to offer Austral the maximum permissible reduction in the duty on wool. The Austral Govt is undoubtedly aware of the importance of such a decision to the US Govt. At a particularly difficult period in the history of its trade agreements program, the US is prepared to make important tariff concessions to Austral and other countries of the Brit Commonwealth, because of the conviction of this Govt that it is vitally important for all concerned to continue

[1] Repeated for information to U.S. Delegation at Torquay as telegram 509.

the progress towards freer trade already begun under the GATT. It is clear, however, that the objectives which both the US and Austral seek to attain, can only be achieved by cooperative efforts on the part of both countries. Not only has the principle of cooperation to achieve common goals been accepted as a guide in relations between our two countries, but the principle of reciprocity has been basic to the trade agreements program of the US for the 17 years of its existence.

The negots at Torquay have now reached a stage at which it is possible to define the points at issue.

On the one hand, the US is prepared to offer the maximum reduction in the duty on wool which is permissible under its present auth. In addition it is prepared to offer concessions on other products of interest to Austral. The US cannot make these offers, however, unless reciprocal concessions are obtained in return. It is the view of the US Govt that a balanced agreement between the US and Austral can only be reached if Austral is prepared to make certain concessions on its part. These concessions include (1) releases of bound margins of preference in the UK market on certain agricul products, namely, Cheddar cheese, unsweetened condensed milk, unsweetened milk powder, raisins, and preserved fruits, and releases of bound margins of preference in the Canad market on raisins, dried currants, and canned peaches; (2) agreement to reduce the preference margin in revising the Austral tariff on automotive items; and (3) agreement to negot with Southern Rhodesia for reduction in the tobacco preference within a reasonable time.

As the Austral Govt is no doubt aware, their position with respect to the offers to be made to the US is of vital importance in determining the outcome of the negots with other countries of the Brit Commonwealth at Torquay. The US Govt has agreed with Canad on the basis for a substantial and satis agreement which, however, depends in important part on the willingness of the Austral Govt to release the bound margins of preference previously mentioned.

In the opinion of the US Govt it is vitally important for all the countries concerned that the Torquay negots result in significant agreements between the US and the countries of the Brit Commonwealth. The bases for substantial agreements, which wld be fair and equitable to all parties, are clear. In the circumstances, it is the earnest hope of the US Govt that the Govt of Austral will reexamine its position with a view to making the offers which wld enable the US and Austral to reach a significant agreement and which are essential to the success of the negots between the US and the UK, Canad, NZ and the Union of SoAfr.

The Austral Govt will appreciate the urgency of this matter in view of the fact that negots at Torquay must be completed by Mar 31. *End verbatim text.*

Basis this text and USDeltel from Torquay (sent Dept 568, rptd unnumbered Canberra, Mar 18) you instrd convey soonest to Min Ext Affairs deep concern this Govt over Austral position and earnest hope Austral Govt will review position and take action permitting early conclusion of significant agreements with Austral and other Brit Commonwealth countries.

ACHESON

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**394.31/3-2751 : Telegram**

*The Acting Chairman of the United States Delegation to the Torquay Conference (Corse)*

SECRET TORQUAY, March 27, 1951—5 p. m.

617. USTAC. Just before delivery of our note to FonOff in London, Stephen Holmes invited Corse and Lewis to have dinner tomorrow night with Harold Wilson, who is arriving Torquay tomorrow.

Sent Department 617, repeated information London 241.

[CORSE]

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394.31/3-2951 : Telegram

*The Acting Chairman of the United States Delegation to the Torquay Conference (Corse) to the Secretary of State*

SECRET TORQUAY, March 29, 1951—11 a. m.

PRIORITY

621. In five-hour discussion last night with Wilson, Holmes, Leckie [1] and Casdagli, there was no significant change in UK position. They continued insist their offers good, and wld buy the concessions they want from US, including all the dollar earning products. They would not consider granting agricultural concessions unless Commonwealth releases were freely obtained.

We reiterated our firm conviction that agreement on basis existing UK offers impossible because in our view those offers wld not justify including important dollar earning items without which agreement wld be unacceptable to UK and we wld not consider such agreement useful.

We asked Brit whether they had official reply from Australia refusing preference releases, since we did not have such. They said they did not, but were sure it wld be "no". In answer to direct question, Wilson said if Australian reply favorable, i.e., granting releases, UK might make further offers to US altho they wld have to consider serious domestic political problems.

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[1] J. Leckie, Adviser on Commercial Policy, British Delegation to the Torquay Conference.

Meeting concluded with both sides indicating there was little hope of any agreement, but Wilson said it wld be premature to make definite decision until Australian reply recd. Australian position therefore offers only hope of successful conclusion of our negots with Brit Commonwealth. Request this be made clear to Australia in every possible approach.

Just informed Ottawa has made approaches highest level UK and other Dominions.

Sent Dept 621, rptd info Canberra unn, London 244.

CORSE

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394.31/3–3051 : Telegram

*The Ambassador in Australia (Jarman) to the Secretary of State*

SECRET CANBERRA, March 30, 1951—noon.

PRIORITY

270. Deptel 255 Mar 26, rptd info Torquay 509. Approach made to Ext Aff Secy in absence Min. Deep concern expressed. Received promise of urgent and sympathetic consideration at Cabinet level our request for re-examination Australian position and of desire "to do more" but no positive commitment made. Secy made fol tentative comment as background (1) Australia realizes proposed US wool concession maximum permissible under law but still feels it insufficient cause significant long term effect on movement wool to market, "do not feel wool offer of same order of significance as you consider it" (2) Australia wld be little disposed consider releasing Commonwealth preferences, regardless merits, unless indication received this desired by other Commonwealth countries involved, Canada specifically mentioned this regard. Australia release even in these circumstances not to be assumed without compensation adequate from Australian viewpoint.

In re-examination Australian position Liberal Govt must take account election campaign now beginning and Labor plank for "full tariff protection".

Dept pass Torquay, sent Dept 270, rptd info Torquay unn.

JARMAN

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394.31/3–3151

*The Australian Embassy to the Department of State*

SECRET WASHINGTON, 31st March, 1951.

AIDE-MÉMOIRE

The Australian Government has carefully studied the *aide-mémoire* presented to the Australian Ambassador, Washington, on 26 March

1951,[1] and has given full consideration to the views of the United States Government expressed therein.

Australia fully shares the desire of the United States of America that satisfactory agreement emerge from the current tariff negotiations at Torquay.

As regards the negotiations between Australia and the U.S.A., the United States Government is aware that the basis of the original Australian offers of tariff concessions was broadened considerably during the course of negotiations to embrace a substantial volume of the United States' trade with Australia and within the last few days a substantial offer was made on films following special representations by the U.S.A. delegation. The concessions in the Australian tariff which have been offered cover approximately 22% of Australian imports from the United States in 1949–50. Some of the main commodities on which concessions have been offered are a wide range of machinery including dredging and excavating machinery, iron and steel plate and sheet, artificial silk cord and tyre fabric, aeroplane parts and pneumatic tyres and tubes. In addition to the comprehensive list of direct tariff offers to the U.S.A., Australia has indicated to the United Kingdom and Canada that no objection would be raised to reductions in the tariffs of those countries on a wide range of items in respect of which preferential treatment is accorded to Commonwealth countries and on which the U.S.A. has sought some reduction of the preference margins. These items include certain agricultural products, namely, fresh grapefruit and dried eggs in the United Kingdom and fresh apples, fresh peaches, fresh vegetables, cheddar cheese and sausage casings in Canada. The United States Government is no doubt aware that even though Australia concurs in the reduction of a preference margin in the United Kingdom or Canada it still remains for the country according the preference to consider the views of other countries enjoying the preference. Furthermore, in the case of some items even though the preference margins are not bound to Australia, Australia may have a particular trade interest and Australian concurrence in the reduction of the relevant preference margin represents a concession in real terms by Australia.

Australia, like the U.S.A., is guided in tariff negotiations by the principle of reciprocity and a balancing of offers and concessions. Australia considers that her present offers constitute reasonable compensation for the concession offered by the U.S.A. While the Australian Government appreciates the decision of the United States Government to offer the maximum reduction on the duty on wool which is permitted under present United States legislation, the Australian

[1] See telegram 255 to Canberra, March 26, 2 p. m., p. 1304.

Government does not consider that a reciprocal agreement based on the United States offers warrants additional concessions of the type requested in the United States *aide-mémoire*.

The Australian Government accordingly regrets that it cannot meet the United States request for reductions in the present preference margins enjoyed by Australia in the United Kingdom on cheddar cheese, unsweetened milk powder, raisins, and preserved fruits, and in Canada on raisins, dried currants and canned peaches. The Australian delegate at Torquay had already informed the United States delegate prior to the receipt of the United States *aide-mémoire* that Australia is prepared to agree to some modification of the preference in the United Kingdom on unsweetened condensed milk. As indicated above, Australia has raised no objections to reductions in many items in the United Kingdom and Canadian tariffs in order to facilitate agreement between the U.S.A. and those countries. The items on which Australia has withheld her concurrence to reductions in preference margins are important items for Australia and the trade in them so far as the United States is concerned is much less than the trade in the other items on which tariff reductions have been offered by the United Kingdom and Canada.

The preferences on automotive equipment and tobacco on which concessions are also sought are enjoyed by the United Kingdom and Canada, (in the case of automotive equipment) and Southern Rhodesia (in the case of tobacco) and those countries would have to be compensated by the United States for any preference concessions to which they consented. However as has been emphasised it is considered that a reasonable balance has already been achieved and the Australian Government is not prepared to undertake to negotiate further with those countries.

Notwithstanding the Australian Government's view regarding the balance between the present offers, it is prepared to make some additional concessions in order to reach agreement at Torquay. These offers have been conveyed to the Australian delegation and cover approximately 7% of Australian imports from the United States in 1949/50, making a total coverage of 29.15%. The additional offers proposed which include offers on commodities such as tinplate, certain electrical equipment, miscellaneous vehicles and centrifugal separators are in the main concessions relating to the margins of preference and some of them require the concurrence of the United Kingdom Government. They are however being made in the form that it is considered will be most acceptable to the United Kingdom and it is not expected that the difficult items will account for more than 0.6%. These additional offers are being made in a conscientious endeavour to meet present difficulties.

394.31/3-3151 : Telegram

*The Acting Chairman of the United States Delegation to the Torquay Conference (Corse) to the Secretary of State*

SECRET

NIACT

TORQUAY, March 31, 1951—5 p. m.

630. USTAC.

1. In view refusal other Commonwealth countries release bound preference margins [1] on hog casings, raisins, currants, and canned peaches, Can offers substitute:

(*a*) Duty reductions on fol items on which no previous offer: insecticides in bulk from 7½ percent to free; demijohns and bottles et cetera from 22½ percent to 20 percent; Diesel-powered self-propelled trucks for off-highway use from previous rates between 10 percent and 30 percent to 7½ percent; electric motors incorporated in agric machinery from 22½ percent to free. Can imports from US 1949 these items amount to $6 million plus unknown quantity electric motors.

(*b*) Offer further reductions fol items already included in offers: apples, present rate during dutiable period ¾ cent, previously offered ½ cent, now offer ⅜ cent; ground mustard present rate 20 percent previous offer 17½ now offer 15 percent; paraffin wax for candles, present rate 12½ percent, previously offered 7½ percent, now offer free entry. Can imports these items 1949, which were included previous total, $1.5 million.

2. Except for above Can offers remain as outlined Deltel 552 para 6.[2] Agreed minutes will state Can was willing to give up prefs enjoyed by Can in Commonwealth countries which were requested by US and was willing reduce pref margins in Can tariff on items requested by US had Commonwealth countries consented.

3. Can will maintain her present offers on canned poultry, live poultry, cheese, condensed milk, dried whey, unless very strong Austral objection to reduction margin. Austral position weak on all but cheese.

4. TAC, Agri dissenting, recommends agmt Can involving above Can offers and US offers outlined Deltel 552 except washing machines (par 353), used automobiles (par 369–B), acrylic resins (par 31–A 1) and textile assistants (par 5).

5. Foregoing must be considered package any deviation from which, particularly if involving any of the five crucial items included Deltel 552, tantamount to no agreement.

6. Vital importance speed since bilaterals due close today.

CORSE

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[1] On March 30 the Union of South African Government informed the United States Embassy in South Africa that the Union Government had given "careful consideration" to representations made by the United States Delegation at Torquay but regretted that it could not accord the extensive changes requested by the United States (Capetown telegram 28, March 30, 5 p. m., 394.31/3-3051).

[2] Dated March 17, p. 1275.

394.31/3–3151 : Telegram

*The Acting Chairman of the United States Delegation to the Torquay Conference (Corse) to the Secretary of State*

SECRET TORQUAY, March 31, 1951—6 p. m.

NIACT

631. USTAC. For Brannan, Andrews[1] and Zaglits[2] from Schwenger.

1. This is for your advice in connection our dissent from today's TAC decision (reported Deltel 630) to conclude agrmt with Canada basis revised package substantially inferior agriculturally, and substantially superior non-agriculturally, to package previously approved by Pres over Agri's dissent.

2. Revised package cld not include reductions UK prefs (such as cheese). Can agrees have record show Can was willing release right to preference in UK market if US–UK agreement complete. Exact text not yet determined. This wld help in future negots and, if made public, might help somewhat domestically.

3. Can unwilling break pref block by going against wishes other Commonwealth countries if pref items important those countries, altho Can apparently made high level effort persuade those countries release claims. Hence, revised package omits important concessions to US on raisins, canned peaches, currants, and hog casings.

4. Revised package contains no new agri concessions by Can to offset these omissions. In fact, Can informs status in revised package five relatively minor offers (canned poultry or game, NOP; poultry and game, NOP, Cheddar cheese; evap milk, dried skim, whey and buttermilk for feed) somewhat precarious shld Australia hear and object prior to conclusion agrmt.

5. Can offers somewhat increased concessions ground mustard (22 to 15 percent instead of 17½ percent) and apples (duty period from 37½ to 18¾ cents per bushel instead of 25). Unable assess value accurately. Judge useful but not cut deep enough to produce striking results, as might reciprocal treatment requested apples.

6. My considered judgment agrmt possible without our cheese concession, based fol facts:

(*a*) In discussions preliminary to preparation revised package, Corse asked whether, in view failure break pref block, Can wld conclude basis somewhat decreased offers by US. McKinnon replied no agmt unless US offers included aluminum, canned salmon (particularly for Brit Colom) and birch plywood (particularly for New Brunswick). No mention cheese. On other hand, McKinnon interrupted subsequent Canadian del consideration possible revised package to

[1] Stanley Andrews, Director of the Office of Agricultural Relations, Department of Agriculture.

[2] Oscar Zaglits, Department of Agriculture alternate representative on TAC.

telephone Corse asking whether additional half cent cheese cld be offered without consulting Washn if Can made larger agric offers.

(*b*) Can recognizes difficulty US cheese problem accentuated by failure UK agmt. In preparing revised package Can apparently foresaw possibility no US cheese concession, and made offers to permit them accept agmt without cheese. Thus, these offers include:

(i) very large concessions (larger than US requests) insecticides; agric machinery, other items calculated satisfy Can farmers despite no US cheese concession.

(ii) no substantial improvement agric items.

7. Political desirability agmt Can great. Wld keep Can nearer our side in conflict between multilateral trade objective and Commonwealth pref objective, so sharply pointed up last two weeks here.

8. Consider proposed agmt good as whole. TAC members recognize difficulty position Agric. We might have asked TAC consideration going back to Canadians without cheese offer, except that original position several influential members to not oppose concessions in canned salmon, birch plywood and aluminum was stimulated by and conditional on, our original offer recommend you consider not opposing cheese as part earlier package. In del discussions, this position forcibly reiterated. Our view improved Can non-agric offers and [garble] Can agric offers shld alter this position.

9. View this situation as whole, recommend you ask Pres change revised package to eliminate cheese, perhaps authorizing minor changes Can offers in light such elimination. View desirability conclude by midnight tonight Torquay time, you might concur Pres give substantial approval TAC revised package if Can adamant on cheese. Convinced Corse wld make full and fair effort conclude without cheese if so ordered, even though larger authority available. [Schwenger.]

CORSE

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394.31/3–3151 : Telegram

*The Secretary of State to the Acting Chairman of the United States Delegation to the Torquay Conference (Corse)*

SECRET

NIACT

WASHINGTON, March 31, 1951—midnight.

529. USTAC. Corse from Beale.

1. Agric has agreed withdraw dissent if negots with Can proceed by two stages as follows. USDel should first seek conclude package deal without US conc on cheddar cheese, recognizing that this might involve some withdrawal by Can but such action should be kept to absolute minimum. If impossible to conclude agreement on this basis, USDel should then proceed conclude package deal with US conc on cheddar cheese included.

2. All agencies are in agreement that negots should proceed as above. For your info each agency consulted on basis tel conv Corse–Beale and Schwenger–Zaglits March 31, a. m. Deltels 630 and 631 not received in final form until approx 8 p. m. Subsequent their receipt Beale talked with Flory[1] who reaffirmed with reluctance Interior's earlier position that they would not dissent from above proposal. Agric position cleared with SecAgric.

3. In view above will not phone you April 1 as arranged. Subject TAC approval will recommend to Pres package deal Deltel 552 as amended Deltel 630 but with procedural stages as outlined. Doubt possible obtain approval before Apr 4 at earliest. [Beale.]

ACHESON

[1] William E. S. Flory, Economic Policy Adviser, Division of International Activities, Department of the Interior. Flory was Interior member of the Committee for Reciprocity Information.

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394.31/4–251 : Telegram

*The Acting Chairman of the United States Delegation to the Torquay Conference (Corse) to the Secretary of State*

SECRET TORQUAY, April 2, 1951—11 a. m.

PRIORITY

637. For USTAC.

1. After thorough discussion re withdrawals, if no US concession Cheddar cheese (Deptel 529) Canadians reluctantly concluded impossible arrive substantial agreement between US and Canada with no agric concession of importance cheese. Suggested only alternative was limited agreement 20 to 30 non-controversial items each side.

2. At Canadian leader's suggestion, discussed possibility substituting middle-weight cattle concession for cheese but discarded because insufficient time resolve re note difficult technical and substantive problems on which negotiators not close to settlement and because lack present US authority meet full Canadian request; also discarded because grave doubt Canadian del wld support leader in this substitution.

3. Therefore, with TAC approval, informed Canadian package stands as negotiated. In view absence dissent suggest consider deferring request Pres approval until results all negots are given for final approval.

CORSE

394.31/4–251 : Telegram

*The Acting Chairman of the United States Delegation to the Torquay Conference (Corse) to the Secretary of State*

SECRET TORQUAY, April 2, 1951—noon.

638. TAC on March 31 after giving full consideration to all aspects of problem raised by UK refusal improve offers, including obviously undesirable consequences of failure of negots, instructed negotiating team to terminate US–UK negots. This done today, effective Mar 31.

Results or lack of results Torquay not public info until May 9.

Sent Dept 638, rptd info London 251.

CORSE

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394.31/4–251 : Telegram

*The Acting Chairman of the United States Delegation to the Torquay Conference (Corse) to the Secretary of State*

SECRET TORQUAY, April 2, 1951—2 p. m.

647. After considering latest Australian offers TAC voted terminate negots with Australia on grounds no basis for agrmt exists. Only new item of substantial value was tin plate on which offer was to place present rates in GATT unbound. Del considers tin plate "padding" by nature of product. New offers covered 34 tariff subclasses. Of these, 13 were elim primage [1] only; 11 were placing present rates in GATT but unbound; 3 were bindings present rates; 1 was elim primage bind present rate; 6 reductions, 2 of 12½ points, 4 of 5 points. Altho offers now cover about 114 tariff subclasses (request list covered 164) shallow cuts in both rates and preferences make offers of little benefit US trade. In addition, Australia adamant refusal relinquish certain agric preferences Canada and UK of importance US negots those countries.

Informal feelers had indicated previously Australia not interested limited agrmt without wool. Under circumstances, unanimously agreed no possibility satisfactory agrmt.

Sent Dept 647; repeated info Canberra unnumbered.

CORSE

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[1] In Australia primage was a primary ad valorem revenue duty laid by the Commonwealth Government upon imports.

394.31/4-351 : Telegram

*The Ambassador in the United Kingdom (Gifford) to the Secretary of State*

SECRET LONDON, April 3, 1951—3 p. m.

PRIORITY

5209. On Mar 26 first person note text of which contained in Torquay's 604 Mar 26 and Deptel 4372 Mar 26 was delivered to FonOff. Full text FonOff reply just received follows:

"Your Excellency,

"I have the honor to acknowledge receipt of Your Excellency's note No. 973 of the 26 March regarding the tariff negots which have been taking place Torquay between the UK and the US. His Majesty's Govt heartily acknowledge the contribution, referred to by your Excellency, which the US Govt is making to the improvement of the basic economic position of Western Europe and the correction of the difficulties which prevent the re-establishment of a system of multilateral trade and payments. They must necessarily however be concerned primarily in the tariff negots with the problems facing the UK herself and in this context greatly welcome the assurance that the Govt of the US is keenly aware of the problems raised by the unbalance of trade between the two countries. His Majesty's Govt did not fail to study with interest and attention the memo of 11 August 1950 referred to in the fifth para of Your Excellency's note. I would, however, remind you that in the formal acknowledgment of the above communication it was pointed out that His Majesty's Govt could not accept the fundamental economic arguments set out therein. It seems to them to ignore some of the basic facts with which the UK and indeed the US also were faced today have been faced since 1939. The essential causes of this situation are well known to the US Govt: they are a matter of history and represent the core of the problem to which His Majesty's Govt hoped that the US Govt would be able to give particular attention.

"His Majesty's Govt cannot agree that reciprocity by itself represents the underlying spirit of the General Agreement on Tariffs and Trade. Negots conducted under that agreement look to arrangements on a basis not only reciprocal but also mutually advantageous. While they note the opinion of the US Govt in regard to the economic policy of the UK which is referred to in the last sentence of the fifth para of Your Excellency's note, His Majesty's Govt have to be the judge of what is or is not advantageous so far as the UK is concerned.

"Moreover, while naturally recognizing that this applies to both countries engaged in bilateral negots, they would point to the specific provision, in the rules under which such negots are conducted, that countries must be regarded as free not to grant concessions on particular products whether in respect of tariffs or preferences. It may well be that the concessions most likely to help redress the unbalance of trade between our two countries would raise a great deal of opposition from affected interests in the US. I must, however, remind Your Excellency that in the very difficult position which the industry of this country has had to face since the war it is not surprising the interest in the UK should consider as fully justified the continuance

of a reasonable measure of protection in their own home markets. Equally there is naturally grave concern at the loss of such preferred positions as may be enjoyed in the markets of our partners in the Commonwealth. His Majesty's Govt have to look at the interests of the country as a whole and are quite unable to accept the view taken by the US Govt, on the advice of its delegation at Torquay, of the value of the offers made on behalf of the UK. His Majesty's Govt do not feel that full account has been taken by the US Govt in the negots of the loss of preferences with which the UK will or may be faced or that sufficient account has been taken of the probability of such losses which, unlike reductions to be secured in the tariff of the US and other foreign countries must be regarded as permanent losses.

"His Majesty's Govt understand, however, that for the concessions offered by them at Torquay, the US Govt are unable to contemplate the grant of any concessions on their part which would increase the chances of dollar-earning by the industry of the UK. They understand that only by greatly increased offers, and by the consent of other Commonwealth countries to forego important sections of the preferences which they enjoy in this country, can the US offers be obtained. They understand that the US are insistent on practically the same price being paid for the whole of their offers, or for those of their offers which afford some prospect of further dollar earnings and which were made in response to specific requests on the part of the UK.

"His Majesty's Govt have made every effort in discussion between the leaders of the two delegations to the last practicable moment to find the basis of an agreement, but they cannot accept the foregoing conditions nor are they willing to put pressure, as was suggested by the US delegation, on their partners in the Commonwealth in order to secure their acquiescence in the losses of preferences enjoyed in the UK."

Sent Department 5209 repeated info Torquay 151.

GIFFORD

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394.31/4-351 : Telegram

*The Secretary of State to the Acting Chairman of the United States Delegation to the Torquay Conference (Corse)*

CONFIDENTIAL

NIACT

WASHINGTON, April 3, 1951—6 p. m.

537. Corse from Beale and Raynor,[1] BNA. In opinion Dept highly desirable from polit viewpoint that agreement be concluded with NZ substantially along lines indicated Deltel 645.[2]

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[1] G. Hayden Raynor, Director of the Office of British Commonwealth and Northern European Affairs.

[2] Negotiations between the United States and New Zealand had been proceeding satisfactorily, but the collapse of the United States-Australian negotiation had made it necessary for the United States to withdraw its offer to New Zealand on fine wools (the offer to New Zealand being conditional because of New Zealand's position as a secondary supplier). In Torquay telegram 645, April 3, 1 a. m.,

We are concerned by possibility that failure to reach agreements with UK, Austral, SoAfr and NZ will be interpreted as evidence of the establishment of a solid front by those Commonwealth countries presumed to have maximum interest in the maintenance of the imperial preference system. Most important therefore that positive action be taken to prevent the development of a greater degree of solidarity than now exists. The formation of a bloc at this time, or even the creation of the impression that such a bloc had been brought into being, wld greatly increase the likelihood that these four countries wld act in closer concert in future negots. It wld moreover become increasingly difficult for a single country to break away from the bloc in future negots and wld therefore greatly increase our difficulties in seeking favorable action on preferences in future. Further, the formation of a bloc as a result of concerted action on preferences at Torquay wld tend to establish a presumption of unity of policy in other related or even unrelated fields which might make difficult our dealings with individual countries of the group on other problems. We believe it is politically important to avoid the impression that the US cannot treat successfully with individual Commonwealth countries on trade and other problems, and equally to avoid the impression that the Commonwealth countries have aligned themselves against an important US program. These objectives will be served by the agreement concluded with Canad, but wld be further served by conclusion of an agreement with NZ which wld in such circumstances assume an importance out of proportion to the actual trade involved.[3] [Beale and Raynor.]

ACHESON

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the United States Delegation informed the Department of State of a TAC decision (with informal dissent by the Agriculture member) to attempt a limited agreement with New Zealand. The New Zealand Delegation was cabling its Government for instructions. The United States Delegation had emphasized that such an agreement would have to be *ad referendum* on the part of the United States (presumably because of the negative vote of the Agriculture member). (394.31/4–351)

[3] In telegram 659, April 6, 9 a. m., the Delegation at Torquay informed the Department of State that "New Zealand delegation today stated no basis for agreement. . . . Gave as reason lack of time for New Zealand Government to consider the situation arising out of altered circumstances which made possible only limited agreement. New Zealand delegation [had] no authority to negotiate limited agreement and apparently definite instructions from Wellington not received." (394.31/4–651).

394.31/4-1151

*The Counselor of Embassy for Economic Affairs in the United Kingdom (Baldwin) to the Secretary of State*

CONFIDENTIAL LONDON, April 11, 1951.

No. 4849

Subject: Torquay Negotiations

In a recent conversation with Sir Roger Makins, Deputy Under Secretary of State, he raised the question of the failure of the United States and the United Kingdom to negotiate an agreement at Torquay which he characterized as "unfortunate." He added that he assumed that mistakes had been made "on both sides." I replied that in any controversy it was natural to believe that the other side was at fault. I also remarked that references of British officials, sometime before the beginning of the Torquay conference, to "unilateral concessions" by the United States, and other statements some time later by British officials, including a public statement by Mr. Wilson, President of the Board of Trade, indicating that the United Kingdom would not make concessions affecting Commonwealth preferences could be hardly regarded as conducive to an auspicious atmosphere for the conduct of the negotiations.

In a subsequent conversation with Mr. Dana Wilgress, Canadian High Commissioner in London,[1] Mr. Wilgress spoke in a highly critical manner of the British handling of the negotiations with the United States at Torquay. He expressed the opinion that one of the principal reasons for the failure of the negotiations was the fact that they were dominated throughout by the Board of Trade and that the Foreign Office either did not interest itself sufficiently in them or was unable to change the attitude of Board of Trade officials, including Mr. Wilson and Sir Stephen Holmes. Mr. Wilgress said that British unwillingness to make concessions which would have made it possible to reach an agreement could certainly be regarded as a British decision to "turn its back" on trade with the United States in favor of trade with the Commonwealth and that such a decision was obviously of political as well as economic importance. From the economic standpoint, he added, it would inevitably lead to an increase in Britain's sterling liabilities.

In a conversation today with a Foreign Office official I asked whether the Foreign Office had followed the Torquay negotiations carefully and had been active in shaping British policy with respect to the Torquay negotiations. The Foreign Office official remarked that a representative of the Foreign Office had been present at Torquay but

[1] Wilgress had been Chairman of the Fifth Session of the Contracting Parties of GATT which sat at Torquay November 2–December 16, 1950.

added that the Foreign Office had not been particularly active in connection with the negotiations. He expressed the opinion that he did not believe that the Foreign Office, in any event, "would have been able to change materially the British policy which was followed in connection with the negotiations." He hurriedly added, presumably in justification of Foreign Office inaction in the matter, that no British Government today could "tamper with the preference system."

C. F. Baldwin

## II. UNITED STATES INITIATIVES REGARDING EVENTS AT TORQUAY LEADING TO THE HOLDING OF THE SPECIAL SESSION OF THE CONTRACTING PARTIES TO GATT AT TORQUAY, MARCH 29–APRIL 3, 1951 (THE QUESTION OF EUROPEAN TARIFF DISPARITIES)

394.31/1–1251 : Telegram

*The Acting Chairman of the United States Delegation to the Torquay Conference (Corse) to the Secretary of State* [1]

CONFIDENTIAL Torquay, January 12, 1951—8 p. m.

PRIORITY

343. For TAC member agencies.

1. Benelux delegation (Deltel 321 [2]) on instruction their governments has formally issued invitation OEEC countries represented Torquay, Canada, US meet January 16 for purpose discuss desirability and procedure for multilateral tariff negotiations (Van Blankenstein proposal [3]), indicating that their appraisal results to date Torquay

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[1] The Third Round of Tariff Negotiations under the General Agreement on Tariffs and Trade (GATT) was convened at Torquay, England on September 28, 1950. For documentation regarding the Torquay Conference, see pp. 1245 ff. For information regarding the United States Delegation to the Conference, see footnote 2, p. 1245.

[2] Torquay telegram 321, December 22, 1950, not printed.

[3] For text of the "Van Blankenstein Proposal," see *infra*. Dr. H. van Blankenstein was Deputy Leader and Chief Negotiator of the Netherlands Delegation to the Torquay Conference.

From early 1950 at the Fourth Session of the Contracting Parties to GATT, February 23 to April 3, 1950, the Netherlands Government had sought to make a major issue within GATT of the question of the renewed importance of tariffs in intra-European trade. The Netherlands position was that prohibitive tariffs which previously had been suspended were being reimposed in Europe and in many cases were worse than quantitative restrictions, to which GATT was paying so much attention in 1949–1950, in that prohibitions were replacing limitations. Delegations of the Netherlands to 1950 sessions of the Contracting Parties contended that the Netherlands was unable to negotiate down rates of high tariff countries because of the difference in tariff levels from which the negotiations commenced, unless binding of rates by low tariff countries were to be accepted as *quid pro quo* for substantial reductions.

The view of United States experts was that the Netherlands had pointed out an extremely important issue which could be solved in part through the OEEC, which throughout 1950 was engaged in an effort to identify tariffs of European countries which had an inhibiting effect on intra-European trade.

negotiations probably not result in considerable leveling discrepancies between European tariffs.

2. In private conversation Van Blankenstein indicated January 16 meeting exploratory and agreed impossible such multilateral negotiations be concluded or perhaps even started Torquay, that many technical difficulties in plan and that extremely doubtful acceptable high tariff countries, e.g. France and Italy. However, said acceptance such or similar program would enable Benelux sign Torquay protocol as could indicate such not end of program reduction of European tariffs.

3. Major objections to proposal appear (*a*) involves many technical difficulties, (*b*) leads to immediate consideration reduced rates should apply only to OEEC countries, (*c*) US and Canada may be requested contribute bargaining power, and (*d*) may result greater reluctancy give significant concessions Torquay negotiations.

4. Canadian delegation will attend as observer but indicate impossible to complete such negotiations under Torquay timetable and, since not on agenda, uninstructed.

5. Unless instructed otherwise US will attend meeting as observer, taking position if necessary (*a*) US favors maximum possible reduction tariff rates, (*b*) any program or procedure should not interfere maximum reductions Torquay negotiations, (*c*) as a general rule, unless overriding political considerations or within context GATT. US opposed preferential systems, (*d*) Van Blankenstein proposal is a method for reduction of tariffs and does not contain any policy considerations, i.e. no justification to assume average of OEEC country tariffs in necessarily lowest desirable or essential rate.

6. OSR Paris informed and may send representative if events warrant.

7. TAC members especially Labor, ECA, Agriculture, Treasury, Commerce, request comments soonest respective agencies.[4]

Sent Department 343, repeated information Paris 20 (for OSR).

[CORSE]

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[4] Regarding the membership of the Interdepartmental Committee on Trade Agreements (TAC) and its role in the United States tariff negotiating process, see footnote 2, p. 1245.

International Trade Files, Lot 57 D 284, Box 134

*Text of the Van Blankenstein Proposal, From the Files of the United States Delegation to the Torquay Conference*

SECRET

MEMORANDUM BY THE DELEGATIONS OF THE BENELUX COUNTRIES [1] ON EUROPEAN TARIFF NEGOTIATIONS [2]

1. On several occasions the Benelux countries have clearly stated that the inequality in European tariff rates forms a serious impediment to a further liberalization of trade and to an integration of European economies in particular. Experience at Geneva and Annecy has shown that the manner in which tariff negotiations are conducted has not led to a sufficient reduction of that inequality.

2. The unsatisfactory results of the attempts to arrive at a better equilibrium in levels of European tariffs are in part due to the following causes:

*a*) The rule that the binding against increase of low duties shall in principle be recognized as a concession equivalent in value to the substantial reduction of high duties has not been satisfactory in its application. In most cases where the rule was applied the higher rate was not brought down anywhere near the level of the lower rate.

*b*) The bilateral conduct of negotiations has hampered countries with relatively low tariffs in their attempts to obtain an overall reduction of the high levels in neighbouring countries. In this connection it should be made clear that Europe comprises in a relatively small space a number of customs territories among which exists an extensive trade in a wide range of goods, very often of the same or similar nature. Even if a low tariff country obtained the reduction of a high duty from one of its neighbours, in exchange for the binding of its low duty, it would still be left facing the high rates of its other neighbours. What is more, it would be the binding of its low rate have lost part of its limited bargaining power. In practice the problem is even further complicated by the refusal of any high tariff country to reduce its duties, unless it has a guarantee of a similar reduction by all its neighbours. This shows that the low tariff countries in Europe are greatly handicapped by the bilateral manner in which the negotiations take place.

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[1] The position of the Netherlands Government on the question of European tariff disparities was strongly supported by the other two members of the Benelux bloc, Belgium and Luxembourg. The Scandinavian countries also endorsed the Netherlands position, but did not engage directly in this *démarche*.

[2] This Benelux memorandum was not an official document of the Torquay Conference, as the question of European tariff disparities was not on the agenda of the Conference. All discussion and action with regard to the Van Blankenstein proposal was, strictly speaking, outside the Conference.

The United States Government had knowledge of the impending Benelux *démarche* from early December 1950, when Dr. van Blankenstein handed a draft of the proposal to Winthrop G. Brown, Chairman of the United States Delegation to the Fifth Session of the Contracting Parties to GATT, which met at Torquay November 2 to December 16, 1950.

3. It is clear that in the present circumstances the low tariff countries could only increase their limited bargaining power by drastic action. Not only could they decide—collectively or not—to abstain from concluding further tariff agreements with high tariff countries who are not willing to meet them on the road to better equilibrium, but they might also refuse to re-consolidate their existing schedules. This would increase their possibility to raise their tariffs. Moreover the resolution of the Council of O.E.E.C. of 27th October 1950 points in the direction of quantitative restrictions. It is however highly desirable that such drastic action should be avoided.

4. The answer to this problem appears to be multilateral negotiations between a group of O.E.E.C. members taking part in the Torquay conference, whose trade is interrelated. Such negotiations, although not in accordance with the established practice, would not be contrary to the spirit of G.A.T.T.

5. For this purpose—and without prejudice to any bi-lateral negotiations in course or scheduled—a meeting might be called of the delegations of the O.E.E.C. countries referred to in paragraph 4 and present at Torquay joined by the U.S.A. and Canada.

6. At that meeting a method should be worked out by which the duties of the countries concerned could as far as possible be reduced to the level of the lowest duties enforced in any of the participating countries. In exchange for such reductions the countries with low duties should bind those duties.

7. In no case should these negotiations lead to an increase of the existing rates. On the other hand any special situation particular to certain country should be taken into account when fixing the level of the duty applicable in that country.

8. It is probable that some countries who at present have a relatively high tariff might point to the fact that a considerable reduction of that tariff might affect their relations with non-European countries. They possibly will object that they would be prepared to reduce the level of their tariff as far as European imports are concerned on condition that it would not diminish their bargaining power or the protection afforded them by their tariff in their relations to non-European countries. This should not prevent an attempt to solve the problem of disequilibrium in European tariff rates.

9. A solution to the problem of *bargaining power* would more easily be found if the United States and Canada took an active part in these talks. As far as other non-European countries are concerned, there is no great risk in assuming that Europe's trade with them is conducted in goods which are of minor importance with regard to inter-European trade. Consequently the bargaining power of the European countries in tariff-negotiations with those non-European countries would not be affected by the proposed multilateral negotiations.

10. As regards the question of *protection*, the U.S.A. and Canada appear to be Europe's main competitors among the contracting parties. In this respect it might be useful to consider the fact that the European shortage of dollars may for some time to come necessitate the application of quantitative restrictions on imports from dollar sources.

Moreover it might be argued that some countries appear sufficiently protected by relatively low duties. It therefore seems hardly likely that other countries with a similar level of industrial development should require a very much higher rate of protection.

TORQUAY, January 1950.

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394.31/1–1251 : Telegram

*The Secretary of State to the Acting Chairman of the United States Delegation to the Torquay Conference (Corse)*

CONFIDENTIAL NIACT WASHINGTON, January 15, 1951—5 p. m.

315. Reurtel 343, January 12. Fol is text of message sent by State and ECA to OSR in response their earlier inquiry re US position on EUR preferential tariff. Sending further instrs to you directly in response reftel. Text of message to OSR follows.

"1. Agree we are at crossroads in liberalization program. Appreciate that if some attack not made on tariffs of high-tariff countries, we will have considerable difficulty in overcoming resistance of Europeans to achievement 75 percent target.

2. As we understand it there are two types of tariff proposals which are intended to break the jam in QR liberalization program:

*a.* The Blankenstein proposal for lowering Eur tariff without violation MFN principle. We have been informed that this will shortly be presented at Torquay.

*b.* Other proposals for a low-tariff club in Eur, particularly those developed in the Stikker–Pella–Petsche discussions, which we understand all involve violation of MFN against US.

3. As we understand high-tariff problem, considerable part of reluctance to reduce is due to fear of intra-Eur competition, e.g., Fr fear of Ger competition. This fear obviously cannot be overcome by violation MFN formula through exclusion US producers. We understand also that part of reluctance to reduce is due to desire avoid giving to US secondary benefits of reductions, thereby losing bargaining power to obtain US tariff reductions. This fear can be overcome by changing techniques of tariff negot, possibly along lines Blankenstein proposal mentioned above, without breaching MFN principle. Problem which cannot be overcome except through breach of MFN principle is that arising from fear of increased US competition. We are not sure as to

extent of cases falling in this last category. Feel need for more info on this point to gauge both economic consequences and tactical value of preferential arrangement.

4. ECA and State feel we shld proceed energetically along lines Blankenstein proposal. Decision on this step, however, wld require concurrence TAC.

5. On basis present info, ECA and State doubt wisdom on economic or political grounds of supporting proposal preferential arrangement. Moreover, we wld anticipate strongest opposition from other agencies. Objection which will be raised in Exec Branch to proposal based on (*a*) doubtful economic consequences such arrangement, (*b*) precedent it creates for maintenance and extension Imperial Preference system, other regional preferential systems, (*c*) strong and long-standing US public and Congressional opposition to discrimination against US products. On other hand wish to leave no stone unturned in effort to find solution to problem trade liberalization progress in Eur. Consequently, with your assistance, ECA prepared to develop best case that can be made for discriminatory low tariff club you consider best approximates our standards."

ACHESON

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394.31/1-2151 : Telegram

*The Secretary of State to the Acting Chairman of the United States Delegation to the Torquay Conference (Corse)*[1]

CONFIDENTIAL NIACT WASHINGTON, January 15, 1951—5 p. m.

316. Reurtel 343. State, ECA/W, Labor, Agriculture, Commerce, Treasury have agreed on fol in substance:

We have given careful consideration to Blankenstein proposal as given to Brown[2] early Dec. Fol is position by which you shld be guided in TAC discussions and on which you shld seek obtain TAC agreement.

1. You shld support Blankenstein proposal, and shld do utmost to put in operation at Torquay.

2. Merits of Benelux complaint that low-tariff countries not in position bargain effectively with high-tariff countries cannot be overlooked. Relevant GATT negotiating rules bearing on question, while helpful, do not appear to be sufficient to deal with problem.

3. Solution to problem wld contribute significantly to reduction trade barriers in general and in intra-Eur trade in particular.

4. As we understand it, Blankenstein proposal, unlike others originating in Eur, does not involve preferential tariff structure and is

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[1] Repeated to Paris for OSR as 3718, and on February 23 to Rome as 3751.

[2] Brown's permanent position was Director of the Office of International Trade Policy, Department of State.

designed avoid breach of MFN principle. Proposal provides in part that OEEC countries engage in multilateral tariff negots re products of particular significance to intra-Eur trade, with US and Canad making concessions for secondary benefits of such negots. All results wld be applied on MFN basis.

5. See no conflict in principle between this approach and commercial policy principles of GATT, provided any other group of GATT countries free to use same approach.

6. Believe sympathetic reception for proposal, even if not followed up by tangible results in early future, wld improve chances Benelux adherence to Torquay protocol and general attitude Benelux to GATT. Therefore, although we have considerable reservations whether Blankenstein scheme will in fact prove more effective than negots by pairs in achieving tariff reductions, we believe you shld support his proposal in principle and shld bend efforts to solution technical, other difficulties. However, you shld take reasonable steps to insure that proposed multilateral negots wld result in bona fide reductions rather than in proposals which on balance represent increase in Eur tariff levels. Fact that tariff experts and relevant data are assembled at Torquay seems to us substantially to facilitate laying groundwork for these negots.

7. In this connection, US ability to participate in tariff negots contemplated in Blankenstein proposal depends on when and under what circumstances they take place. US cld participate actively these negots if conducted during Torquay conference, or even possibly as limited extension Torquay meeting, and within scope present offers.

We are, however, basing request to Congress for renewal of TA Act [3] in present form on fact no large-scale negots contemplated during life renewal. In any event, wld be in impossible position with Congress, already intolerant of speed with which tariff negotiating conferences have followed each other, if we announce new negots with large group Eur countries, immediately on conclusion Torquay meeting. Therefore, only hope US active participation is if negots can be concluded at Torquay or limited extension Torquay or if they are undertaken after substantial interval of time, probably at least a year.

8. ECA/W requests OSR lend every support above position in Torquay and Paris.

ACHESON

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[3] The authority under which the United States Executive entered into the General Agreement on Tariffs and Trade, and continued after 1947 to negotiate within its framework, was the Reciprocal Trade Agreements Act of June 12, 1934 (48 Stat. 943), as amended and extended. The life of such legislation was variously 1–3 years. The 1949 Act—the latest—was due to expire in June 1951.

394.31/1-1751 : Telegram

*The Acting Chairman of the United States Delegation to the Torquay Conference (Corse) to the Secretary of State*

CONFIDENTIAL TORQUAY, January 17, 1951—6 p. m.

354. 1. UK, Benelux, Italy, France, Austria, Norway, Sweden, Denmark, Germany, Canada, US represented in January 16 meeting re Blankenstein proposal.[1]

2. Representatives generally uninstructed.

3. No statement in opposition proposal, but UK doubted practicability and together with France spoke several times emphasizing technical and other difficulties.

4. Benelux stated little or no hope conclude multilateral tariff reductions Torquay, but could prepare ground for negotiations after Torquay, results to be presented to CP's.

5. Canada along with US agreed proposal had merit and suggested OEEC countries negotiating multilaterally, the results of which could be placed before CP's, particularly Canada and US, for consideration as to payment by other CP's.

6. US suggested immediate action looking to results if possible at Torquay at least on limited list items.

7. Agreed meet again June [*January*] 25 for detailed discussion (*a*) paragraphs 4 through 10 Benelux memo; (*b*) Canadian proposal; (*c*) possibility negotiations Torquay limited list items.

Sent Department 354, repeated information Paris 22 for Havlik OSR.

CORSE

[1] These meetings, extending from January 16 to March 7, 1951, were not officially part of the Torquay Conference. A summary transcript of the meetings is located in Lot 57 D 284, Box 134.

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394.31/1-1751 : Telegram

*The Acting Chairman of the United States Delegation to the Torquay Conference (Corse) to the Secretary of State*

CONFIDENTIAL TORQUAY, January 17, 1951—10 p. m.

355. 1. With TAC approval, made following statement at private meeting called by Benelux January 16 re Blankenstein proposal. (See Deltel 354 repeated Paris 22 for fuller report meeting).

*a.* US recognizes this proposal is being made very late in conference and foresees many technical difficulties in reaching practical results.

*b.* We have grave concern that it might curtail results to be obtained through bilateral negotiations.

*c.* Nevertheless US feel that proposal has merits providing it does not lead to a preferential system.

*d.* Therefore we recommend immediate further exploration and, if possible, obtain positive results, perhaps on limited list of items.

2. Above statement considered consistent with instructions in Deptel 316 repeated info Paris 3718.

3. TAC reluctant to support proposal more strongly. Chances of achieving results at Torquay, even if negotiations extended beyond February 28, scheduled cutoff day, are not promising.

*a.* Delegates would have to seek new instructions and prepare new positions on individual items;

*b.* Chief burden of concessions would fall on high tariff countries, who would probably stall.

4. TAC approved following course future action;

*a.* USDel to make every effort obtain positive results Torquay at least on limited number items perhaps even by recommending extension of February 28 deadline by up to week.

*b.* US to support further multilateral negotiations after Torquay.

*c.* Indicate to OEEC countries any indirect benefits to US result multilateral negotiations Torquay would be considered as part payment for US concessions.

*d.* Indicate US unable participate negotiations after Torquay; can give no commitment re US payment indirect benefits but leave matter open to consideration light facts existing at time results presented CP's.

Sent Department 355, repeated information Paris 23 for TAC member agencies and for Havlik OSR.

[CORSE]

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394.31/1–1951 : Telegram

*The Secretary of State to the Acting Chairman of the United States Delegation to the Torquay Conference (Corse)*[1]

CONFIDENTIAL PRIORITY WASHINGTON, January 19, 1951—7 p. m.

325. From State, Treas, Commerce, Labor, ECA and Agric. Re Deptel 316, Jan 15 and Deltels 354 and 355, Jan 17.

1. Regret instrs refDeptel did not sufficiently emphasize view here US shld lend strong active support to Blankenstein proposal, rather than qualified concurrence reported Deltel 355.

2. We are still of view every reasonable measure shld be taken make tangible progress on Blakenstein proposal before Torquay adjournment. We are concerned failure obtain results will lead to: (*a*) new proposals for preferential low-tariff club in Eur; (*b*) stalemate in trade liberalization program; (*c*) Benelux disaffection of Torquay negots and GATT in gen.

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[1] Repeated to Paris for OSR as 3831.

3. If extension longer than one week wld increase possibility positive results on Blankenstein proposal, we request TAC reconsider position reported Deltel 355 para 4*a* in order recommend and support to CP's longer extension.

ACHESON

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394.31/1-2251 : Circular telegram

*The Secretary of State to Certain Diplomatic Offices* [1]

CONFIDENTIAL PRIORITY WASHINGTON, January 22, 1951—7p. m.

413. For Emb and ECA Mission from State and ECA.

1. Benelux Del to GATT Conference Torquay, England has presented plan for multilateral tariff negots OEEC countries. US and Canad in attempt solve problem inequalities tariff levels OEEC countries which may obstruct further OEEC liberalization efforts. Private mtg was held Torquay Jan 16 at which UK, Benelux, Ital, Fr, Aust, Nor, Swed, Den, Ger, Canad, US were represented. In presenting plan, Benelux Del recalled OEEC Council Ministers decision Oct 27, 1950 pledging progress at Torquay session toward removal disparities Eur tariffs.

2. US Del as result instrs from Wash and with TAC approval, took position that although Benelux proposal is being made very late in Torquay negots, nevertheless proposal has merit and shld be fully explored in hope that positive results may be obtained by this method at least on ltd list of items before end Torquay session.

3. At mtg Canad agreed with US that proposal had merit and urged that OEEC countries proceed negot and present concrete proposal before other CPs, for consideration as to reciprocal payment. UK, Fr, Ital, although emphasizing difficulties did not oppose Benelux proposal. Den, Nor, Ger generally supported.

4. Further exploratory mtg to be held Jan 25. Benelux has proposed use of possibly one section Brussels Study Group nomenclature and Brussels Eur average as basis discussion: Fr suggested OEEC common liberalization list or variant thereof. Negots likely be confined products important intra-Eur trade and not prime interest US.

5. Since Torquay negots scheduled end Feb 28, time is short. If significant accomplishments this GATT session, US prepared consider reciprocal concessions for indirect benefits of any tariff reductions or bindings resulting these multilateral negots at Torquay. However, US is not prepared to participate in multilateral negots of any scope after Torquay and wld not now be able give commitment re US concession in payment indirect benefits derived therefrom as result negots among

[1] Sent to the Embassies at Paris, London, Brussels, Copenhagen, Athens, Rome, The Hague, Oslo, Stockholm, and Ankara; the Legations at Vienna and Luxembourg; the High Commissioner at Frankfurt (Germany), for action. Sent to the U.S. Delegation at Torquay for information.

OEEC countries. Question compensation wld have to be left open for consideration in light facts existing at time results presented to CPs. This limitation on US future participation emphasizes importance results being achieved at Torquay.

6. In view above consideration and urgency some solution problem inequality in tariffs OEEC countries, US feels most important that proposal for multilateral procedure and immed negots be supported. Expect tendency particularly on part UK, Fr, Ital to drag their feet. Missions urged therefore, to use concerted pressure in order to indicate to govts importance concrete results these negots and express US view that every effort shld be made to make as much progress as possible during life Torquay. Missions may wish point out importance making progress in interest removing important roadblock to further trade liberalization. Missions shld indicate that Torquay delegs OEEC countries shld be prepared with lists commodities for discussion Jan 25 mtg.

Missions shld also emphasize that US support this project in no way detracts great importance it attaches successful conclusion Torquay negots now in progress. Therefore, it shld also be urged by the Missions that every effort be exerted by the govts on their delegs to consummate successful Torquay bilaterals as well.

ACHESON

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394.31/1-2551 : Telegram

*The Ambassador in the United Kingdom (Gifford) to the Secretary of State*

CONFIDENTIAL PRIORITY LONDON, January 25, 1951—noon.

4100. Reference Depcirtel 413, January 22.

1. Embassy and ECA representatives jointly made high level representation at Board of Trade January 24 urging British support Benelux proposal conduct multilateral negotiations at Torquay on outstanding disparities European tariffs. British very firm in their position, stated by Sir Stephen Holmes, BOT,[1] that they not prepared support Benelux proposal for following reasons:

(*a*) Time too short at current session GATT permit any useful results whatsoever out of multilateral negotiations,

(*b*) Whole GATT concept and procedure built around bilateral negotiations which would be seriously jeopardized if multilateral layer superimposed on current bilateral talks;

(*c*) British believe multilateral proposal would not only muddy waters at Torquay but would provide no suitable basis on which to conduct negotiations.

[1] Sir Stephen Holmes, Second Secretary, British Board of Trade, and Leader of the British Delegation to the Torquay Conference (the Ministerial Head of the Delegation was Harold Wilson, President, the Board of Trade).

(*d*) British view Benelux proposal as Dutch effort cover up for their "overgenerous" agreements Geneva and proposal made in British view solely placate Dutch industrialists who feeling effects post-Geneva revised French tariff schedules.

2. British see no hope in negotiating from common list and strongly urge that OEEC trade liberalization and tariff negotiations be considered separate and distinct fields. They fear that any further moves on part Benelux to inject tariff issues into removal quantitative restrictions will mean that QRs will be used as bargaining counters in tariff reduction negotiations, whereas British consider QRs should be *removed* unilaterally as soon as balance of payments considerations warrant without reference to tariff levels.

3. We believe British have points warranting serious consideration and believe they honestly feel that injection multilateral negotiations on basis indicated in Dutch memo [2] (which British consider "fuzzy") presented at January 16 meeting would prejudice successful completion current bilateral negotiations.

4. British intimated they would attempt deal with alleged intra-European tariff inequalities via bilateral procedure and declared this is extent their pledge in concurring OEEC council's decision October 27. They suggested that US might oil any troubled waters arising current bilateral negotiations OEEC countries by announcing US prepared consider granting reciprocal concessions for indirect benefits tariff reductions resulting from bilateral negotiations at Torquay which had effect of removing roadblocks to European trade liberalization.

Priority sent Department 4100, repeated information Paris 1379 for OSR, Torquay 135, Department pass ECA/W.

GIFFORD

[2] Not printed.

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394.31/1-2551 : Telegram

*The Chargé in France (Bonsal) to the Secretary of State*

CONFIDENTIAL PARIS, January 25, 1951—6 p. m.

4357. Substance of Depcirtel 413, January 22, concerning Benelux tariff negotiation plan conveyed to FonOff January 24 with appropriate representations. FonOff representative stated that although French not opposed to plan, it did not appear have much chance of success and added French now actively studying alternate plan involving tariff reduction by stages which they hoped to present to OEEC soon.

Sent Department 4357; repeated information Torquay 15.

BONSAL

394.31/1-2651 : Telegram

*The Ambassador in Italy (Dunn) to the Secretary of State*

CONFIDENTIAL ROME, January 26, 1951—7 p. m.

3235. Reference Depcirtel 413, January 22. Embassy-ECA approach made to Foreign Office yesterday along lines reftel re Benelux proposal for multilateral negotiations to reduce inequalities in tariff levels OEEC countries. Foreign Office thus informed of US views prior to departure today of Di Nola,[1] Chairman Italian delegation Torquay.

Further conversation with Grazzi [2] today indicates Italian position will be generally as follows. Basically of course Italian Government strongly favors general economic integration Europe. However, cannot agree to important changes in single sector, i.e. tariffs, without some parallel progress on related questions, e.g. investment and manpower. Grazzi points out general tariff reduction of this type is too far-reaching for hurried action and time should be allowed for careful study by several interested Ministries.

Consequently, although Italian delegation will be prepared enter discussions and explore possibilities Benelux proposal, unlikely cooperation will extend to point where major results can be achieved before end February.

In Italian view Pella plan provides much sounder method for lowering barriers and integrating Europe.[3] Italian delegation will probably urge concentration on that plan rather than hurried consideration new scheme. Grazzi further ventured opinion Benelux proposal outside scope present Torquay discussions.

Italians may also point out Italy has few necessary raw materials and that in period of increasing scarcity substantial tariff reductions on finished items would place Italy in precarious position against competition from other countries with less serious raw materials problem. Present Italian commercial policy envisages further temporary reductions in certain tariffs for sake of adequate supplies essential consumer goods, though such reductions would not constitute permanent changes in tariff structure.

Sent Department 3235, repeated info London 368 for Torquay.

DUNN

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[1] Angelo Di Nola.

[2] Umberto Grazzi, Director-General, Economic Affairs, Italian Ministry of Foreign Affairs.

[3] For documentation regarding the Pella Plan, see volume IV. Giuseppe Pella was Italian Minister of Finance.

394.31/1-2651 : Telegram

*The Acting Chairman of the United States Delegation to the Torquay Conference (Corse) to the Secretary of State*

CONFIDENTIAL TORQUAY, January 26, 1951—7 p. m.

371. 1. Private meeting held January 25, on Blankenstein plan with England, France, Benelux, Norway, Sweden, Denmark, Italy, Austria, Germany, Canada, US present.

2. Blankenstein presented paper[1] outlining following possible procedure for multilateral negotiations:

(*a*) Examine each item Brussels' nomenclature[2] to determine whether major part of import of such product into more than one OEEC country originates from other OEEC countries; if so, designated as important intra European trade;

(*b*) Such products important intra European trade to be further classified as follows:

(i) Items of significant interest, US and Canada.

(ii) Items of significant interest to non-European GATT members.

(iii) Items of significant interest to other non-European countries.

(*c*) "Basic duty" for an item used as target should be that duty of the country having lowest duty among countries having sizeable production of that item;

(*d*) Countries having higher duty on that item should reduce to basic duty unless they can show sufficient reason;

(*e*) Country with basic duty should bind rate;

(*f*) "Position of countries with lower duty should be considered";

(*g*) Results of leveling of duties of item in *b*(*i*) should be submitted to US and Canada;

(*h*) Results to be incorporated in GATT;

(*i*) "Rehearsal" on limited group of items in Torquay.

3. During meeting British thought there was a fundamental unsoundness about entire Blankenstein plan (a) exceptions under 2(*d*) above would be so numerous as to make plan unproductive but (b) exceptions necessary as no single rate economy for every country. Among points cable London to Department 4100 January 25, Holmes made points paragraph 1*a*, *b*, *c* and paragraph 3.

4. France and Italy, although not instructed, prepared nevertheless to proceed with exploration.

5. Norway suggested the group immediately start to select about 30 items at next meeting by submissions each country several items for consideration.

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[1] Not printed.

[2] The conclusion in September 1950 of the Brussels Convention on Tariff Nomenclature (on the initiative of the European Customs Union Study Group) resulted in the drawing up of a common tariff nomenclature known as the 1950 Brussels Nomenclature.

6. Sweden, Austria, Denmark, Germany, Benelux supported this idea with Benelux suggesting that perhaps fewer than 30 items be selected.

7. USDel expressed strong hope that results of substance would be achieved here at Torquay on at least a selected list of items important to intra-European trade. We would give compensation for Torquay results but unable to give commitment on compensation for results after Torquay. Urged every effort should be exerted to make plan effective at Torquay.

8. Next meeting to be held January 30 to discuss new procedure paper (reference paragraph 2). Believe possibility of February 2 meeting for discussion possible list of specific items.

Sent Department 371, repeated information Paris 27 for OSR. Department pass ECA/W.

[CORSE]

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394.31/1–2951 : Telegram

*The Chargé in France (Bonsal) to the Secretary of State*

CONFIDENTIAL PARIS, January 29, 1951—7 p. m.

4461. Torquay's telegram 370, January 26, 1951 to Washington, repeated Paris 26, January 26, 1951.[1] Embassy office took occasion ask Wormser,[2] in charge multilateral affairs, FonOff views re French position Blankenstein tariff reduction proposal. Wormser confidentially indicated that FonOff was definitely opposed. Embassy suggests that statement by Lecuyer[3] supporting further exploration Blankenstein proposal should be interpreted accordingly.[4]

Sent Department 4461, repeated information Torquay 16.

BONSAL

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[1] Not printed.

[2] Olivier Wormser, *Chef de Service*, Economic Cooperation, in Economic and Financial Affairs, French Ministry of Foreign Affairs.

[3] Ernest Lecuyer, member of the French Delegation to the Torquay Conference.

[4] Lecuyer's statement had been reported in telegram 370, January 26, not printed.

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394.31/1–3151 : Telegram

*The Acting Chairman of the United States Delegation to the Torquay Conference (Corse) to the Secretary of State*

CONFIDENTIAL PRIORITY TORQUAY, January 31, 1951—6 p. m.

386. USTAC. Department pass ECA/W.

1. Third private meeting to discuss the Blankenstein multilateral negotiations proposal held 30 January (reftels 371, 355 and 354).[1]

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[1] Dated January 26 and January 17, pp. 1332 and 1326.

Attendance: UK, France, Benelux, Norway, Sweden, Denmark, Austria, Germany, Italy, Canada.

2. View apparent misunderstanding, US restated position re limitation on present tariff authority June 12 [2] but US support without time limit effort facilitate integration through reduction European trade barriers in MFN but not preferential framework. Urged move fast view US willingness make appropriate concessions in light any intra-European results reached Torquay. Corse bringing text US statement.[3]

3. Britain (Holmes) questioned (*a*) US willingness stay Torquay after agreed closing date, (*b*) US capacity, even with renewed authority, contribute "in practical way" through concessions valuable to Europe. US replied (*a*) prepared stay if prospect success effort reduce some European barriers, (*b*) lack present formal tariff authority beyond June 12 should not support assumption that, if Europeans agree on significant measures advance for integration and welfare, US will lack capacity make valuable contribution.

4. Blankenstein proposed that to save time, (*a*) each country submit list of 2 or 3 items for meeting later in week, call working group then to select 5 to 10 items for limited Torquay multilaterals, (*b*) discussions proceed concurrently on principle and method (suggested base or Benelux papers). Stated agreement on principles and method, as well as limited multilaterals, might be completed Torquay before closing date March 22 but if necessary would agree 2 week extension.

5. Norway and Denmark supported Blankenstein proposal. Sweden, Germany, Austria and Canada known to concur basic proposal but did not speak. Chairman (Denmark) suggested meeting Thursday exclusively on 4 (*a*) above.

6. France suggested postpone submitting lists until after meeting (proposed Friday) to decide basis selection items, but indicated (for first time) willingness proceed view possibility thereby broadening Torquay scope. Suggested list should include tariff items listing country would lower if all other high tariff countries lowered same items.

7. Following arguments for delay or abandonment (made principally by UK, Italy):

(*a*) Will delay and narrow Torquay bilaterals (made by UK, Italy, France, all of whom have continuously delayed bilaterals to point of jeopardizing their success. Blankenstein replied need to integrate and strengthen European economy more important than any particular method tariff negotiations.)

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[2] This refers to the possible lapse of presidential authority to negotiate under the Trade Agreements Act, in the event of failure by Congress to extend the Act of 1949.

[3] Carl D. Corse, Acting Chairman of the United States Delegation, was proceeding to Washington for consultation.

(*b*) Is inappropriate Torquay because broader scope than tariffs and because European integration work centered Paris (by UK, Italy. Blankenstein refuted by reference OEEC October resolution transferring liberalization Torquay and by noting Benelux active role both Paris and Torquay.)

(*c*) Requires long preparation and negotiation (UK said study required of statistical and historical material; Italy said study required of social and economic conditions in each country.)

(*d*) Difficult agree on list (Blankenstein conceded limited list would not be entirely equitable view limited country interests but thought possible view prospect wider list post Torquay.)

(*e*) Basically unsound approach to try to equalize tariffs—can't afford at this period history (UK).

8. Next meeting scheduled Friday p. m., February 2, agenda not clear in light foregoing but may include (1) discussion how commodity lists should be prepared, (2) proposal of items by countries so wishing, (3) discussion of method and principles.

9. UK (supported by Italy) stated their attendance future meeting does not imply acceptance plan as whole or "limited exercise" Torquay. UK expressed "feeling we are being forced".

10. After meeting, Blankenstein said informally could not envisage consummation successful limited multilateral negotiation Torquay view strong British resistance. Chairman (Denmark) expressed same general view. He suggested informal discussions with important delegations before Friday meeting if favorable results desired.

Sent Department 386, repeated information London 182, Paris 30 for OSR, Rome 3.

[CORSE]

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394.31/2–351 : Telegram

*The Temporary Acting Chairman of the United States Delegation to the Torquay Conference (Phelps) to the Secretary of State*

CONFIDENTIAL NIACT TORQUAY, February 3, 1951—1 p. m.

394. USTAC. Attention Corse.

1. Wilgress [1] proposing informally among delegates extension conference dates. He approached Schwenger [2] on following:

(*a*) Negotiations will not in fact be completed present schedule. If we postpone decision, will be in trouble last minute because hotel arrangements (especially office hotels), plans important delegates, and generally unsatisfactory nature makeshift extension. He is sure US-Canadian delegates will desire extension.

(*b*) He is concerned OEEC country sentiment shift multilateral negotiations Paris on preferential basis. Considers multilaterals Tor-

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[1] L. D. Wilgress, Leader of the Canadian Delegation to the Torquay Conference and Chairman of the Conference.

[2] Robert B. Schwenger, Department of Agriculture member on TAC sitting at Torquay.

quay might prevent. Considers time extension important our favor. Suggests major effort significant, if limited, Torquay multilaterals. Suggests emphasis reciprocal deals between high tariff countries, Italy, France, UK, Germany, each benefiting the other, incidental benefits to low tariff countries. Points out difficult find US–Canada concessions adequate compensate significant multilaterals except as supplement intra-high-tariff-country benefits.

(*c*) His proposal: Negotiations end April 8, signature April 29, no Easter break.

2. In short conversation impossible get Wilgress judgment re importance points (*a*) and (*b*) above. Apparently both sincere. Stated felt very strongly about extension.

3. Delegation judgment impossible complete satisfactory bilaterals following countries before dates shown: UK and dominions as a group, March 15; Cuba and France, possibly by March 31; Peru and Dominican Republic depending on Cuba and Canada. Expected others could be completed by or before February 28.

4. Delegation considered March 23 as cut-off date for bilaterals but strong sentiment for Wilgress dates which would also avoid pressure hotels eject people before Easter while maintaining pressure against Easter conference break.

5. Wilgress requested further consultation today. Will cable results.

6. Wilgress returning London Sunday. (Fifth meeting multilaterals Monday afternoon.) Many delegates known to favor present closing scheduled. Blankenstein expressed to Schwenger some resentment Wilgress suggestion due danger loss momentum. Schwenger used this argument with Wilgress. Wilgress said must risk this. Thought momentum good, risk not great.

7. Please instruct soonest whether support Wilgress.

PHELPS

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394.31/2–351 : Telegram

*The Temporary Acting Chairman of the United States Delegation to the Torquay Conference (Phelps) to the Secretary of State*

CONFIDENTIAL NIACT TORQUAY, February 3, 1951—5 p. m.

395. USTAC. Attention Corse.

A. Following is summary of views expressed by Wilgress in conversation he sought with Schwenger this morning. (Ourtel 394)[1]

1. Wilgress summarized by saying multilateral negotiations were "pregnant with possibilities for future". He considers *b*, rather than *a*, paragraph one, reftel real reason for extension.

2. Wilgress believes failure multilaterals here would mean drive in Paris for European preferential plan, contemplated by French, Italians and others, would have to exclude UK. Efforts to prevent would

[1] *Supra.*

probably fail and would create much friction among Western countries. Plan would result not in successful effort integration but merely additional source friction among Western countries and advent of frankly mercantilistic states or small blocs throughout Western world. Would be disastrous for UK. In event of stalemate or Western success in current struggle with curtain countries, would, by weakening western economies and creating friction, prepare favorable ground for Russia to resume struggle later.

3. Decision to extend not easy. Could result revolt here, jeopardizing many useful, if less important, results Torquay. Many delegations feel unwilling change plans to leave basis present dates. Wilgress, as conference chairman, anxious avoid small accomplishment Torquay, to say nothing of failure.

4. This risk due difficulties reported previous tels re multilaterals. Success project depends partly on degree US interest. Schwenger, personally in general agreement Wilgress, suggested risk would be smaller if US decided to make clear our interest high level London, Paris, Rome, Washington as well as Torquay. Might send Torquay high official respected Paris (Wilgress mentioned Katz) [2] for at least some early meetings multilaterals and should assign one or more senior officials to del to concentrate on multilaterals.[3] Schwenger sent forth Washington view limited multilaterals Torquay would establish channel and furnish basis keeping further European tariff reduction efforts on MFN basis. Wilgress agreed entirely, said that was principal basis his suggestion April 8 reported reftel.

5. Wilgress considers France key country. Considered French attitude, reprted our following tel fourth meeting multilaterals,[4] merely willingness go along purpose extend Torquay results, thereby please US, Canada. Considered French still strongly favor European preferential arrangements after Torquay. Believes change this attitude would be easiest if go along French on Torquay matter without forcing full decision now as to later framework but later insist using channel established Torquay limited multilaterals for future European tariff reduction efforts.

6. Schwenger suggested best way get active start Torquay was change British attitude. Wilgress considered British short-sighted. Regretted British Del Torquay dominated [by] BOT. Point of view limited by preoccupation short-run trade problems. Schwenger mentioned Wilgress could contact Wilson, Gaitskell, Hall.[5] Wilgress de-

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[2] Milton Katz, United States Special Representative in Europe, Economic Cooperation Administration.

[3] Raymond Vernon of the Commercial Policy Staff, Department of State, was subsequently designated.

[4] See Torquay telegram 397, February 3, p. 1339.

[5] Respectively Harold Wilson, President of the Board of Trade, Hugh Gaitskell, Chancellor of the Exchequer, and (probably) Sir Edmund L. Hall-Patch, Permanent British Representative on the OEEC.

cided discuss Wilson lunch today (and report Schwenger) basis UK interest preventing continental preferences as well as long run considerations outlined paragraph two above. Regretted high London officials preoccupied problems associated war effort. Expressed concern same situation Washington and Ottawa. Hoped issue would be pointed for all three capital terms long-run pattern economic organization Western World. Wilgress said might sound out other London officials if seemed useful.

7. Schwenger stated Washington reaction date extension not known beyond general statement we would stay Torquay if useful for multilaterals. Would inform Wilgress through Baldwin.[6]

8. Wilgress asked whether non-OEEC GATT members had been informed. Thought advisable in some cases. Schwenger mentioned Cuba, dominions.

9. Agreed decision dates needed about one week, probably not earlier because psychological impact negotiations, probably not later because physical problems hotel arrangements and travel plans.

B. Entire tone Wilgress approach one of great concern. Apparently felt taking serious decision, might jeopardize his record as chairman GATT[7] if not successful but had to be tried view gravity issues involved.

Sent Department 395; repeated info London 184, Paris 32. For OSR.

PHELPS

[6] Charles F. Baldwin, Counselor of Embassy for Economic Affairs in the United Kingdom.

[7] Wilgress had been Chairman of various of the Sessions of the Contracting Parties.

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394.31/2–351 : Telegram

*The Temporary Acting Chairman of the United States Delegation to the Torquay Conference (Phelps) to the Secretary of State*

CONFIDENTIAL NIACT TORQUAY, February 3, 1951—5 p. m.

396. USTAC. Attention Corse. Wilgress phoned Schwenger reporting conversation with Wilson and Holmes pursuant his decision reported ourtel 395, February 3. They were "entirely cynical" and unmoved. Stated no results possible Torquay. They would block any progress here. They would also block any OEEC achievement tariff reduction with or without UK. They feel certain European countries will not risk leaving both OEEC and GATT, which they consider would be consequence continental intentions. They had no constructive proposal.

They thought French attitude reported our following telegram further meeting multilaterals entirely insincere.

Sent Department 396, repeated info London 185, Paris 33 for OSR.

PHELPS

394.31/2-351 : Telegram

*The Temporary Acting Chairman of the United States Delegation to the Torquay Conference (Phelps) to the Secretary of State*

CONFIDENTIAL PRIORITY TORQUAY, February 3, 1951—6 p. m.

397. USTAC. Department pass ECA/W. Fourth meeting on Blankenstein proposal multilateral negotiations February 2 opened with suggestion from chair that committee proceed with discussion as to drawing up lists.

French delegate felt it important reach some agreement on principles and methods to be followed in submitting informal lists. Mentioned two methods:

1. List of items on which reductions desired from other countries.
2. List of items in which prepared to make reductions.

French indicated strong preference second method.

Italian delegation felt it premature discuss method and composition lists until there had been agreement on principle of negotiations and extent such negotiations. Thought whole matter outside province Torquay negotiations.

United States delegation, called on by chair, commended French proposal as constructive, suggested two methods could be combined, each country selecting one or two items by each method.

UK del reiterated view whole exercise impractical, particularly in view short time remaining and inevitability exercise would have to continue beyond present session. Under circumstances and since US unable participate beyond June 12, no assurance exercise could be completed. Without discussing European integration, exercise of this nature, which implies broad and exhaustive attempt equalize European tariffs not practical if confined to Europe. If attempt were to have meaning, US must participate but cannot. Since impossible or unlikely France (Larre, who had been to Paris since third meeting) opposed principles discussion as waste of time. Proposed move quickly to negotiations to expand Torquay achievement. Thought contribution to integration could be very small; where trade chiefly intra-European, might help; where imports from overseas large, might hurt if on MFM basis. But expanding Torquay would be worthwhile itself. Maximum chance success basis his second method.

Italy (Di Nola) said Benelux items showed impossibility doing anything. Italian tariffs already reduced to scientifically necessary minimum in view relative efficiency Italian industries involved. Could not "level" European rates. Integration was larger problem not appropriate GATT.

Chairman proposed (although he thought main problem might not be limited negotiations) meet Monday, February 5, delegates to be prepared state definitely whether they favored proceeding limited

negotiations Torquay. Those countries so wishing to submit lists products. View limited time, urged very short list (3–5 items) be selected by committee.

Norway then illogically asked UK whether they would compromise on transferring multilaterals to Paris. Chair ruled him out of order and adjourned for tea, apparently to prevent British reply.

On resumption, UK delegate "noted" little enthusiasm. However, UK did not want prevent "exercise" if other countries desired. If others so decided next meeting, prepared go along subject certain "conditions" to be explained then.

Chairman's proposal apparently accepted by all.

Sent Department 397, repeated information London 186, Paris 34 for OSR, Rome 5.

PHELPS

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394.31/2–651 : Telegram

*The Temporary Acting Chairman of the United States Delegation to the Torquay Conference (Phelps) to the Secretary of State*

CONFIDENTIAL PRIORITY TORQUAY, February 6, 1951—2 p. m.

404. USTAC. Department pass ECA/W.

1. Fifth meeting on multilateral negotiations (MN's) February 5. Decided appoint working party (UK, France, Italy, Germany, Benelux, Austria, Denmark with US present) to select items agreed suitable for MN's, on basis lists submitted interested countries. WP to report back to main group at meeting Friday afternoon.

2. Apparently most countries will submit lists. Those already submitted are: Benelux, Brussels nomenclature 32.07, dye stuffs, 37.01, 37.02, 37.03, 37.04, photographic and movie products, 52.01, 53.01, 53.04 synthetic fibers; France 51.11, 51.14, 51.15 woolen textiles, 55.04, 55.06, 55.07, 55.09 cotton textiles, 87.02, 87.04, 87.05, 87.06 automobiles and parts, and (no numbers given) wine; Germany automobiles and parts same as France, 82.05, 82.08, 82.09, 82.10, 82.11, 82.12, 82.13, cutlery products; Sweden 84.56, 84.59, office machines, 84.25, 84.26, dairy machinery, 48.11, 48.09 building board; Norway (no numbers given) fresh and frozen herrings, medicinal cod-liver oil, calcium carbide, mechanical wood pulp, and ferrosilicon.

3. In expression of views regarding proposed MN "rehearsal", all delegations agreed to go along with following qualifications: Italy referred to objections stated previous meetings but would join because majority wished to try. Sweden not optimistic. Austria has no authority beyond that available for Torquay bilaterals but will cooperate as far as possible. Britain will cooperate on understanding, (*a*) does not believe objective reasonable or practical, (*b*) subscribes no principles of

tariff negotiation beyond those in charter and GATT procedures, particularly insists "rehearsal" not interfere UK–Benelux bilaterals, (*c*) participation condition full participation by US, (*d*) reserves right withdraw any time it considers further work not able produce useful results. Emphasized desire avoid prolonging work Torquay or interfering present activity UK delegation. Denmark not optimistic especially view time, referred repeatedly to "last fortnight Torquay".

4. On appearance practical unanimity and chairman proposal establish working party to select items and report, France, Benelux, UK entered on long discussion, participated briefly Norway and Austria, concerning effect failure of "rehearsal" on problem of achieving agreement at Torquay on principles and method wider effort. France took position must pursue goal alignment European tariffs by some method, listed three: (*a*) reduction excessive duties (failed at OEEC), (*b*) MN's under GATT (*c*) preparatory study here and later action OEEC countries elsewhere on preferential basis. Doubted method (*b*) would succeed. Blankenstein feared failure here (apparently widely expected) would be considered evidence impossibility wider efforts basis Benelux proposal. Agreed rehearsal but felt necessary withdraw from rehearsal and suggest alternative method if apparent list too limited or one-sided or otherwise probable would prevent effort along lines Benelux papers. Agreed with France re main objective. Suggested main group go forward consideration Benelux papers while WP prepared lists (at lunch before meeting Blankenstein informed Schwenger new instructions from Hague preferred reasonable percentage reduction discrepancies European tariffs on all intra-European items to limited rehearsal few items). Austria pointed out rehearsal more difficult than large-scale effort later because smaller possibility compensate all countries involved.

5. US (Schwenger) called on by chair during original go around [1] pointed out inappropriate express detailed opinion on essentially European effort facilitate integration through tariff reduction but assured US would do everything our authority compensate in case useful result.

Sent Department 404, repeated information Paris 35 for OSR, London 188, Rome 6.

PHELPS

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[1] The United States was attending these informal meetings in an observer status.

394.31/2-651 : Telegram

*The Temporary Acting Chairman of the United States Delegation to the Torquay Conference (Phelps) to the Secretary of State*

CONFIDENTIAL PRIORITY TORQUAY, February 6, 1951—4 p. m.

405. Department pass ECA/W. USTAC. Result meeting reported previous telegram, our judgment following status:

1. European countries making effort limited MN's pursuant US suggestion. No European participants appear expect success. Time is short. Enthusiasm establishment preferential system Paris on part French and Italian delegations apparently now meets considerable sympathy Benelux and Scandinavian countries. UK apparently determined delay and exploit difficulties and complications. Presentation concrete lists may result greater optimism, but chairman (Denmark) informed Schwenger after meeting probable WP would meet 1 or 2 times and decide no list could be agreed. Our judgment limited success possible provided US shows interest high level particularly vis-à-vis UK (going above BOT), France, and Italy, and succeeds extending Torquay time.

2. Success limited MN should involve commitment US make compensatory concessions. Could be (*a*) concessions authorized Torquay but not given because other countries failed make balanced concessions, (*b*) concessions authorized but not yet offered Torquay, (*c*) items not yet authorized but publicly listed for Torquay, or (*d*) items based new list and hearings. Assume last impossible, delegation making preliminary canvass possibilities (*a*) and (*b*).

3. Please keep us fully informed Washington thinking, day to day if useful, view rapid developments and importance subject matter.

Sent Department 405, repeated information Paris 36 for OSR, London 189, Rome 7.

PHELPS

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394.31/2-751 : Telegram

*The Secretary of State to the United States Delegation to the Torquay Conference, at Torquay, England* [1]

CONFIDENTIAL PRIORITY WASHINGTON, February 7, 1951—7 p. m.

356. Re Deltels 404, Feb 6 and 409, Feb 9 [7].[2]

1. We believe US objectives in multilateral negots shld be (*a*) to achieve agreement on reductions at Torquay for inclusion in Torquay

[1] Repeated to Paris for OSR as 4128.

[2] In Torquay telegram 409, February 7, 10 a.m., Phelps had asked urgently for some indication of "Washington intentions" re: time extension of the conference and the extent of the effort contemplated to prevent the breakdown, "possibly imminent," of the multilateral negotiations (394.31/2-751).

results, even if limited to few items, and (*b*) to obtain agreement on methods and scope of similar negots to take place after Torquay. Not prepared to make more detailed suggestions until UK motivations in resisting are better understood. Hope firm decisions on scope negots can be deferred until Corse returns early next week. However, if objective (*a*) gets in way of achievement of (*b*), our present inclination wld be to concentrate on (*b*), in order to give Benelux some basis for signing Torquay protocol.

2. Prepared to make high level approach to appropriate govts if necessary to avoid situation in which no real progress made at Torquay on either 1(*a*) or 1(*b*). Regard progress through MN's at Torquay important for continued strength of GATT and critical for OEEC trade liberalization program.

3. Time extension issue being handled separate tel.

4. Personnel question in relation MN's under active consideration here. Decision soon.[3]

5. Above cleared with ECA, Interior, Labor. Unable contact appropriate reps other agencies in time meet deadline.

ACHESON

[3] This refers to the Vernon assignment; see footnote 3, p. 1337.

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394.31/2-851 : Telegram

*The Temporary Acting Chairman of the United States Delegation to the Torquay Conference (Phelps) to the Secretary of State*

CONFIDENTIAL NIACT TORQUAY, February 8, 1951—2 p. m.

414. USTAC. Pass ECA/W.

1. First meeting WP to select items for MN's met February 7, went through lists presented by countries mentioned ourtel 404, paragraph 2, (repeated Paris 35, London 188, Rome 6) plus Austrian and Danish lists, asking, for each item, whether any members WP objected. On objection, item was rejected. All items were rejected except 65.03 B 1 A, men's hats, 84.56 A calculating machines, all cutlery items on German list and photographic and movie products on Benelux list, ourtel 404.

2. Austria list: (Brussels' nomenclature code) EX 48.01 K-1 smooth paper, 58.12 C embroidery of artificial fibers, 58.12 E embroidery of cotton, 60.05 B woolen clothing, 65.03 B 1 A men's hats, 69.06 C refractory bricks, 73.42 A 2 screws, nuts, bolts, etc., EX 82.01 C sickles.

3. Denmark listed certain cheeses.

4. At end of review Blankenstein (chair) questioned whether few items accepted were significant enough to justify multilaterals Torquay. Concluded members objected in many cases because they were not sure by what method list would be used. Proposed to report to main

group in this sense and to propose to main group, therefore, to proceed with examination his original proposal re methods and principles, as incorporated in Benelux papers. He could see no objection to proceeding thereafter, if time, to further effort limited MN's. This was accepted without objection.

5. US (Schwenger, Macgowan, Blick)[1] made no statement. Had neither urtel 356 nor Brown's telephone report House action February 7.[2]

6. Some noteworthy features of meeting:

*a.* UK, Italy represented by lower level people than in main group (Italy, Gardini,[3] UK, Huggins).[4] UK representative uninstructed. Since Blankenstein proposed procedure as to whether objections, question arose whether lack of objection meant willingness reduce rates on condition others did likewise. This forced UK state position that selection items did not commit his government in any way, lack of objection meant merely UK was willing to study whether possible reduce, he might be able indicate more difficult cases, but UK would be willing to study any item. On cheese, he pointed out problem supplies from Commonwealth would make particularly difficult (Elworthy,[5] Ministry of Agriculture, was present with him).

*b.* Most items perfunctorily rejected by only one objection without explanation. Italian, France main objectors.

*c.* On automobiles, the three major countries, UK, Germany and France did not indicate objection (except general qualification UK reported above). Since this was early item, Italian objection was probed somewhat. Italian stated present tariff minimum necessary level avoid drastic injury domestic industry (Italian rate highest).

*d.* In the case of textiles, France (Larre) pushed hard for MN discussion on ground item was significant and sufficiently diverse provide benefits all participating countries. Admitted improbability results Torquay, but emphasized such discussion more useful than limited MN's present accepted items. Germany, supported Benelux, objected because item too complicated to complete Torquay, had to deal with entire textile and fiber list together.

*e.* Austria generally constructive. Suggested cuts on items difficult Austria (e.g. certain textiles) might be possible if simultaneously other countries cut on items helpful Austria (e.g. paper products).

7. View foregoing, Schwenger, Blick, MacGowan judge better results possible than indicated Blankenstein conclusion. Possible this was a perfunctory exercise to prove to us impossibility limited MN's Torquay. Any results will require major effort because our appraisal practically all OEEC countries Torquay oppose success limited MN's, France desires effort confident failure and thereby strengthen position

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[1] Harold P. Macgowan and Milton H. Blick were members of the U.S. Delegation to the Torquay Conference for the Department of Commerce and the Economic Cooperation Administration, respectively.

[2] On February 7 the United States House of Representatives had passed the Trade Agreements Extension Act with important amendments.

[3] Dr. Walter Gardini, member of the Italian Delegation.

[4] Mr. K. Huggins, member of the British Delegation.

[5] Miss J. Elworthy of the British Delegation.

for European preferential talks Paris, Italy fears cuts, but considers preferential talks can give immigration concessions and others to compensate, Benelux, Scandinavia fear MN's here, will prevent agreement principles MN's later—indifferent whether MN or preferential, UK, see previous telegrams.

8. Have informed Blankenstein these impressions and instructions to push. His instructions not to permit limited MN's interfere discussion methods and principles, not yet effectively begun. He plans proceed Hague Saturday return Torquay late Wednesday.

9. We are considering possible US statement urging more thorough effort. Welcome suggestions.

10. We consulted McKinnon [6] on this and related question date extension. He is keeping Wilgress informed, feels latter should return Torquay prevent breakdown both bilaterals and MN's. Suggested we phone Wilgress. Will do when we have date extension instructions.

11. Will telephone Brown [7] 9:30 tonight Torquay time.

Sent niact Department 414, repeated information Paris 37 (for OSR), London 191, Rome 8.

[PHELPS]

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[6] H. B. McKinnon, Chairman of the Canadian Tariff Board, Deputy Leader of the Canadian Delegation, and Head of the Canadian Negotiating Team.

[7] Winthrop G. Brown, Director of the Office of International Trade Policy.

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394.31/2-951: Telegram

*The Secretary of State to the United States Delegation to the Torquay Conference, at Torquay, England*

CONFIDENTIAL WASHINGTON, February 9, 1951—6 p. m.

367. Interagency mtg held, with reps of State, Treas, Agric, ECA, Labor, Commerce and TarCom present, to reconsider appropriate policy re Van Blankenstein proposals in light House action on Trade Agreements Act. Agreed that in view urgency completing Torquay bilateral negots at earliest possible date and in view impaired US ability urge constructive action by other countries, we can no longer pursue previous plan to press strongly for widest possible MN tariff reductions at Torquay. Since way must still be found to provide basis for Benelux signature to Torquay protocol, agreed that chief US objective shld be to help in reaching some area agreement at Torquay sufficient to provide such basis. Discretion to choose among courses action most likely achieve these objectives placed in del. Hope you can defer any final decisions at Torquay which wld prejudice this general approach, until Corse arrives early next week.

ACHESON

394.31/2–1051 : Telegram

*The Temporary Acting Chairman of the United States Delegation to the Torquay Conference (Phelps) to the Secretary of State*

CONFIDENTIAL TORQUAY, February 10, 1951—1 p. m.

PRIORITY

427. USTAC. Pass ECA/W.

1. Sixth private meeting on MN held February 9 with Benelux, UK, France, Italy, Austria, Germany, Norway, Sweden, Denmark, Canada and US present.

2. Blankenstein submitted following report of Working Group on commodity list:

*a.* Of lists submitted, three items and a portion of a fourth item not objected to for limited MN Torquay.

*b.* Inconclusive discussion textiles.

*c.* Difficult to commit to items in *a* list until decision on methods. Hence proposes proceed later.

3. Canada deplored fact accepted list so limited, no agricultural items. The more restricted the list, the more restricted Canadian interest.

4. US (Schwenger, Blick) supported Canadian statement—also stated we felt results of Working Group not conclusive. No consideration of quality or nature of objections to including particular products. Agreed reasonable to make some effort get concurrence on method before returning to limited MN here.

5. Working Party report accepted. Chairman opened discussion of paragraphs 4 to 6 Benelux paper, calling attention particularly to paragraph 6.

6. UK (Edgar, Cohen [1]) asked Benelux whether "method" implied automatic leveling or negotiation encompassing related practical problems in unemployment, subsidization, dumping, QR's, et cetera. Latter is whole integration problem. Does Benelux consider its proposal a short cut?

7. Benelux (Blankenstein) pointed to words "as far as possible". Emphasized obligation find some method to lower tariffs and assist integration as recommended by October 27 OEEC resolution.

8. UK felt necessary take into account social, historic, economic reasons for tariff disparities, not apply automatic formula.

9. Blankenstein submitted modified formula, reduction disparities by 25 percent each year for three years. After three years stop and examine special situations in regard to last 25 percent.

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[1] E. A. Cohen was Under-Secretary of the British Board of Trade and presumably was with the British Delegation at this time although he is not on the available official list. The other British official is perhaps John William Edgar, British Foreign Office, on service in Luxembourg.

10. French (Larre) opposed, said would subject European economies to world competition, result unemployment and economic disruption. Must first have leveling of living standards. Different from original Benelux proposal and required study. Would support original proposal.

11. Italy concurred France.

12. Benelux stated purpose to reduce European tariff disparity as obstacle to integration and strengthen European economy. Selection items avoid danger outside competition except US, Canada, from whom compensation would be sought. If insufficient compensation, envisage other method. Differences in living standards and productive efficiency in Europe not great enough justify present tariff disparities. Second proposal did not differ greatly from original proposal. Willing consider another proposal. Further delay steps toward integration may mean too late for outside reasons known to all.

13. Cohen stated plan is "simple, but completely unacceptable". UK would never commit to new formula. Would consider original scheme, although believed no practical results. New formula assumes only last 25 percent disparities has economic justification. Not so.

14. Benelux replied "present European tariff disparities unacceptable to Benelux". High tariff countries cannot justify sit tight and kill all proposals. Willing to listen to other proposals. As example, asked UK why artificial silk duty disparities.

15. UK charged Benelux maintaining QR's until disparities removed. UK not criticizing. UK said (in OEEC) 75 percent liberalization if satisfactory results Torquay, otherwise retain 60 percent. UK has no plan, but maintains Benelux plan impractical. Avoided silk discussion.

16. Blankenstein summarized his differences UK views:

(*a*) Disparity in tariffs not justified by differences costs of production or otherwise unchangeable.

(*b*) Liberalization held up by tariff disparities. Action must be taken.

(*c*) Disparity is European problem, not low-tariff-country problem.

(*d*) UK action in bilaterals (as well as on multilateral discussion) indicates little desire facilitate. UK would not open bilaterals with Benelux until January, were insisting concessions from Benelux that would increase disparity.

(*e*) Latest Benelux formula similar automatic formula proposed by UK and accepted OEEC for QR liberalization.

(*f*) If UK has no plan and refuses consider other plans, other European countries must decide if they will proceed without UK.

17. Denmark (Sveinbjornsson) stated complete support Blankenstein view "for same reasons".

18. Norway suggested that, if no solution Torquay, some proposal be made to OEEC.

19. Next meeting 16 February to continue discussion.

20. Heated clash Cohen–Blankenstein probably indicates Blankenstein decision (forecast in conversations before meeting) no multilateral results possible Torquay. We foresaw this (Blankenstein inquired re our position a.m. ninth) but were unable take forceful enough position prevent, particularly in view urtels 379 and 363.[2]

21. Judge effort will be made agree on authoritative communication to OEEC describing results Torquay in terms which will prevent application deliberalization aspects October 27 resolution. UK may block even this. Becoming apparent UK may want no substantial success Torquay—either multilaterals or bilaterals. This view widely held—shared by Canadians who concerned Cohen's analysis (reported paragraph 15 above) relation to OEEC may be important reason UK attitude. Blankenstein proceeding Hague today.

Sent Department 427; repeated information Paris for OSR 38, London 195, Rome 9.

PHELPS

[2] Neither printed.

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394.31/2–1451: Telegram

*The Acting Chairman of the United States Delegation to the Torquay Conference (Corse) to the Secretary of State*

CONFIDENTIAL

TORQUAY, February 14, 1951—8 p. m.

435. 1. On Blankenstein's return from Hague, discussed with him his latest instructions which are as follows: He will try to get maximum number OEEC countries to agree on letter addressed to Marjolin,[1] which would state that, in opinion signatory countries, Torquay exercise did not constitute "satisfactory progress" of kind contemplated in October 27 resolution. Such letter, if signed by enough OEEC countries, would presumably be controlling on Marjolin's required report to council. Blankenstein obviously will attempt extract agreement from other OEEC countries to sign such letter as price for conclusion certain bilaterals. Thereafter, Dutch plan to take up issue in OEEC, with view achieving some formula leading to preferential tariff arrangement. Blankenstein states European integration is overriding Dutch objective, which precludes selective approach on tariff negotiations earlier proposed by Dutch.

2. Implications development preferential tariff arrangement were then fully explored with Blankenstein, including possible effects on US protectionist opinion. Possibility also explored that shift of exercise from GATT to OEEC might eliminate GATT as effective instru-

[1] Robert E. Marjolin, Secretary-General of the OEEC.

ment for Dutch tariff objectives without securing substitute mechanism in OEEC.

3. Following proposal then outlined to Blankenstein as informal and personal suggestion:

(*a*) Following Torquay, GATT secretariat would be charged with preparing certain "negotiating parcels" in accordance with general instructions summarized in sub-paragraph (*c*) below. To augment its manpower, secretariat would be authorized to invite cooperation of OEEC secretariat.

(*b*) In developing its "negotiating parcels" secretariat would study unsatisfactory requests of OEEC members left over from current bilaterials. Secretariat would be free obtain data from other appropriate sources, including information developed in OEEC "excessive tariff" exercise.

(*c*) Each negotiating parcel would consist of proposals involving concessions by some or all OEEC countries, concessions in each parcel being designed to be in balance. Parcel might include more than one commodity and might be confined to some rather than all OEEC countries.

(*d*) Intersessional WP, which might be TNC sub-committee, would review proposed negotiating parcels. Any member country called on to make concessions in such parcels would have opportunity offer alternative concessions of equal value. WP might wish to agree that decisions at this stage regarding adequacy of proposed alternative concessions would be made on a voting basis of less-than-unanimity.

(*e*) After process of review, each country would have option either of accepting, rejecting, or accepting conditionally commitments in parcel. Conditional acceptance would consist of acceptance conditioned on other named countries accepting same parcel.

(*f*) Accepted parcels which involved no significant concession to countries outside OEEC group would be submitted to CP's for approval and put into effect. Other parcels would be subject to negotiation with outside interested countries and thereafter put into effect with approval CP's.

4. Blankenstein promptly telephoned Hague to determine whether reconsideration instructions justified. He has been authorized explore above line further with USRep, discussions continuing tonight.

Sent Department 435, repeated info Paris 39 for OSR, London 198.

CORSE

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394.31/2-1551 : Telegram

*The Acting Chairman of the United States Delegation to the Torquay Conference (Corse) to the Secretary of State*

RESTRICTED PRIORITY TORQUAY, February 15, 1951—6 p. m.

439. 1. Blankenstein position described Deptel 435 February 14 repeated Paris 39 and London 198 is quite rigid, having been reached by Council of Presidents of Benelux Union 3 days ago. Since Council does not meet again until May 3, possibility of Benelux shifting posi-

tion significantly in interim is extremely limited. Accordingly, at tomorrow's meeting, Blankenstein will push reported position.

2. UK will resist Blankenstein's proposal on several grounds including (*a*) view that GATT should not prejudge action to be taken in OEEC and (*b*) view that same difficulties will prevent action in OEEC as are preventing action in GATT.

3. UK will also object to any proposal which might be made by US along lines paragraph 3 reftel. Principal asserted reasons for such objection are unprecedented use of secretariat contemplated in proposal and lack of expectation of any concrete results.

4. Chairman of working group (Denmark), while apparently willing to pass problem to OEEC, wishes conclude exercise with frank declaration that basic difficulties are political considerations and that no real progress can be made in any forum unless new political framework provided.

5. US efforts have been directed at preventing conclusion exercise tomorrow. If necessary to achieve this result, may submit paper for further consideration along lines paragraph 3 reftel.

6. Belgian delegation has indicated willingness consider establishment intersessional GATT working party to attempt salvage some procedure from Dutch, US, other proposals.

Sent Department 439, information London 199, Paris 49 for OSR.

CORSE

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394.31/2–1751 : Telegram

*The Acting Chairman of the United States Delegation to the Torquay Conference (Corse) to the Secretary of State*

CONFIDENTIAL TORQUAY, February 17, 1951—1 p. m.

444. Department pass ECA/W.

1. On 16 February seventh private meeting held on multilateral negotiations with GATT OEEC countries, US and Canada present.

2. UK delegation maintained tariffs not main obstacle to integration and that tariffs are really the last step, not first in integration program. UK extolled progress of GATT thus far and stated that continuation in bilateral methods would bring better results, than considering "an uncharted course". This general position was supported by the Italians and French.

3. US representatives emphasized importance of meeting Dutch problem with constructive solution. Pointed to need maintaining strength of GATT as link to insuring consistent commercial policy in Europe and North America, and insuring that European integration proposals are developed in manner consistent with maintaining link. Proposed that intersessional GATT working party be set up to carry on where this present group stops. Group would attempt to

reach agreement on principles and procedure and report results to the sixth session. At that time the working party would continue or disband, depending on success obtained. This proposal reported more fully separate telegram.[1]

4. Blankenstein stated that the US proposal lacked means providing political impetus needed for further progress. Proposed that the OEEC continue a study of this general problem. He further stated that switch to OEEC would not harm GATT, since whatever would be accomplished by OEEC would be brought into GATT schedules. He continued, however, that he would go along with US working party proposal if majority agreed. He further proposed that letter be sent to Marjolin along lines reported separate telegram.

5. Next meeting Tuesday, February 20 for consideration of US delegation and Benelux proposals.

Sent Department 444, repeated information Paris 41 for OSR, London 201.

CORSE

[1] *Infra.*

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394.31/2–1751 : Telegram

*The Acting Chairman of the United States Delegation to the Torquay Conference (Corse) to the Secretary of State*

CONFIDENTIAL TORQUAY, February 17, 1951—2 p. m.

445. Department also for ECA/W, Paris or OSR.

1. As result developments on Blankenstein proposal, outlines of possible compromise position may be emerging.

2. First, proposal for agreement by GATT TAC to set up intersessional working party, in some way tied into OEEC work. Although this proposal, made by the US, was unenthusiastically received, US has been requested to draft proposal in specific terms. Draft taking following lines: CPs which are OEEC members and Canada and US would jointly request TNC set up Inter-Sessional Working Party composed OEEC members GATT and any other interested GATT country as observers, with terms reference as follows:

*a.* To consider proposals by any member for multilateral or other forms tariff negotiation which might contribute reduction European tariffs and might provide means compensation such reduction by other members GATT.

*b.* To develop such other tariff proposals as appropriate in line objectives OEEC and decisions OEEC Council.

3. Working Party would report to Sixth Session CPs progress made and submit for consideration that session such agreed proposals as may require action CPs in accordance provisions GATT. Working Party would meet, subject call Chairman, at such places as it may determine.

Secretariat, pursuant to direction Chairman, would enter into cooperative arrangements secretariat OEEC to insure adequate facilities Working Party.

4. Second element in possible compromise is letter to Marjolin by OEEC GATT countries stating that although excellent spirit has prevailed and some progress has been made at Torquay in reducing disparities European tariffs, nevertheless basic problem as envisaged OEEC Council decision October 27 has not yet been solved. However discussions will continue and further attempts at solution be made after Torquay. There, signatory countries believe premature to conclude satisfactory progress in sense of resolution not made. Blankenstein's view letter would "put on ice" escape clause in October 27 decision until all means exhausted of solving tariff problem GATT OEEC context.

Sent Department 445, repeated information Paris 42, London 202.

CORSE

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394.31/2-2151 : Telegram

*The Acting Chairman of the United States Delegation to the Torquay Conference (Corse) to the Secretary of State*

CONFIDENTIAL TORQUAY, February 21, 1951—6 p. m.

453. 1. At eighth session of multilateral negotiations group US proposal summarized Paragraph 2 ourtel 445, February 17 repeated Paris 42 and London 202 was discussed. Qualified support was expressed by some delegates including Benelux and UK although possibility was raised of need for special session of CP's to create proposed WP.

2. Letter proposed by Blankenstein along lines Paragraph 4 reftel met considerable opposition although some agreement existed that communication some sort might appropriately be sent. Some delegates including UK criticized document on formal grounds pointing to its anomalous character.

3. In course discussions Norwegians and Danes later supported by UK, Italians and French proposed terminating exercise by summarizing problems raised and referring back to ministers. Benelux objected to shelving problem this manner. US objected on grounds move would be construed as failure for GATT before organization had opportunity deal comprehensively with problem.

4. Italian position now developing as major obstacle to compromise solution. Italians anxious obtain recognition of concept that most disparities in European tariffs are justified under present social and economic conditions and that unless fundamental progress made on European integration no real progress in reducing existing disparities possible or desirable. Unwilling to compromise on any forms action which avoids this issue.

5. At close meeting chairman appointed drafting group consisting Benelux, US and Italy to attempt revision US and Benelux proposals incorporating suggestions arising out of meeting.

6. To meet formal problem raised by UK mentioned Paragraph 2 above US proposing in drafting group that any communication which participating countries believe should be sent to OEEC might be in form of interim report of WP earlier proposed by US. Report to be transmitted for information by Wilgress to Marjolin.

7. Prospective settlement still uncertain. Possibility still exists of breakdown at any meeting. Next meeting Friday afternoon February 23.

Sent Department 453, repeated information London 203, Paris 43, Rome 10.

CORSE

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394.31/2-2351: Telegram

*The Acting Chairman of the United States Delegation to the Torquay Conference (Corse) to the Secretary of State*

CONFIDENTIAL
PRIORITY

TORQUAY, February 23, 1951—6 p. m.

456. Department, also for ECA/W.

1. Proposed 9th session of multilateral negotiations group has been put off until Tuesday, February 27, to permit more time for drafting group.

2. US and Benelux have now developed in definitive form proposal for GATT WP along lines summarized ourtel 445, and proposed interim report of such WP to be submitted to Wilgress with suggestion transmission to Marjolin. Text proposed report follows separate telegram.[1] Report would: (*a*) assert it is still premature judge effects Torquay tariff negotiations on problem being studied by WP, (*b*) acknowledge progress on general tariff reduction made through GATT, (*c*) assert such reductions not of nature which represents real progress toward single market in Europe, (*d*) state views of various delegations on justifiability existing tariff disparities in Europe, (*e*) observe that GATT proceedings heretofore employed not aimed at problem single market in Europe, (*f*) invite advice OEEC council.

3. Although approach has certain drawbacks from US viewpoint, it appears accomplish major objectives. Dutch requesting instructions from Hague to determine if able present jointly with US. Efforts reconcile Italian views with this approach so far fruitless. Leckie (UK) has indicated may be possible go along, although may wish debate specific wording. Holmes yet to be consulted.

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[1] See Torquay telegram 457, February 23, p. 1355.

4. Believe extremely helpful if at this stage, prior to Tuesday meeting, French and Italian governments could be impressed with fact US attaches importance to solution at Torquay embodying following elements: (*a*) GATT should continue play direct role in further work European tariff problem, (*b*) measures taken in dealing with problem should not be such as afford escape to OEEC countries from obligation increased trade liberalization. Italian position particularly difficult. Italians seeking avoid definite action at Torquay through proposal to refer issue back to governments.

Sent Department 456, repeated information London 204. Paris 44 for OSR, Rome 11.

[CORSE]

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394.31/2-2351: Telegram

*The Secretary of State to the Embassies in France and Italy*[1]

CONFIDENTIAL WASHINGTON, February 23, 1951—7 p. m.
PRIORITY

4442 [Paris] and 3748 [Rome].

1. US interest in reducing disparities in Eur tariff levels on a nonpreferential basis outlined Circ Deptel 413 Jan 22, and Deptel 316, Jan 15 to Torquay. Strongly endorse, therefore, suggestion that Embs Paris and Rome again approach govts along lines described para 4 of reftel.

2. In making point contained para 4*a* of reftel, you may wish to note that there has been inadequate time at Torquay for effective GATT contribution to solution European tariff problem. Ref para 4*b* of reftel, suggest you give positive formulation of this point, stressing importance of progress in meeting Eur tariff problem to continued success of the OEEC trade liberalization program.

3. For info Rome, assume you are aware that OEEC Council decision of Oct 27, 1950 on 75% liberalization made contingent on progress in reducing Eur tariff disparities at Torquay.

For purposes your discussion with Italians, we note that at Torquay (Torquay 453, rptd Rome 10) Italians consider progress in Eur integration prerequisite to reduction tariff disparities. Seems clear that reduction in tariff disparities can equally or better be considered prerequisite to Eur econ integration.

ACHESON

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[1] Repeated to the U.S. Delegation at Torquay as 402.

394.31/2-2351 : Telegram

*The Acting Chairman of the United States Delegation to the Torquay Conference (Corse) to the Secretary of State*

CONFIDENTIAL TORQUAY, February 23, 1951—noon

457. Re ourtel 456, February 22 [*23*], repeated to London as 204, Paris for OSR as 44, Rome as 11. Following is text of proposed interim report which intersessional WP on European tariff problem would make at Torquay.

1. This WP was created by decision of CP's at special session Torquay with following terms of reference (terms of reference as in previous telegrams).

2. WP held (blank) meetings. CP's represented at these meetings were, et cetera.

3. At present moment, Torquay tariff negotiations not completed. Accordingly, premature make final judgement as to effects of such negotiations on problem being studied by WP. It is anticipated that significant tariff concessions will emerge from Torquay which, when added to Annecy and Geneva results, will have made measurable contribution to reduction of European tariff barriers.

4. It is not too early to conclude, however, that reductions achieved at Torquay will be of such scope and magnitude as to represent real step in direction of creating single market in Europe.

5. Some delegations made it clear that in their opinion reduction of disparities and leveling European tariffs would be limited by existing disparities in production cost and social conditions. Other delegations admitted that absolute equality of European tariffs not immediately feasible in view these circumstances, but felt that much more could be achieved in reduction of existing disparities, as indispensable condition for achievement single European market as stated in OEEC Council resolution of 27 October 1950.

6. Majority of WP agreed that although methods heretofore applied in GATT negotiations had proved their worth, these methods had not been designed with purpose achieving single European market.

7. Majority of WP agreed that there existed problem of disparity of European tariffs and that WP should continue efforts in this field. They were of opinion it would be of vital importance to their work in this field that WP would be informed of opinion OEEC Council as to method, scope and general outline along which existing disparities in European tariffs could be reduced.

Sent Department (for ECA), repeated info London 205, Paris 45 (for OSR), Rome 12.

[CORSE]

394.31/2–2651 : Telegram

*The Ambassador in Italy (Dunn) to the Secretary of State*

CONFIDENTIAL
PRIORITY

ROME, February 26, 1951—9 p. m.

3727. Reference Torquay telegrams 11 and 13, February 22 [*23*] and 26, and Deptel 3748, February 23, 7 p. m. on reduction tariff disparities.[1] Approach made to FonOff this morning accordance Torquay recommendation and Department's instructions, reftels. However Di Nola had wired FonOff his views last week and FonOff had wired its approval Friday.

Italians hold firmly to position they cannot make major general tariff reductions except in conjunction other measures European economic integration. Also reiterate preference for procedures contemplated in Pella plan.

FonOff official expressed pessimism about further liberalization trade at present moment, particularly in view German suspension of liberalization on numerous items last week, which will seriously affect Italian exports fruits and vegetables. Official believed best that could be hoped for under present conditions was to hold ground already gained in trade policy field.

Sent Department 3727 repeated priority Torquay 2, repeated info Paris 513.

DUNN

[1] For Torquay telegram 11 to Rome, see Torquay telegram 456, February 23, p. 1353. There is no Torquay telegram 13 to Rome in the master telegram file of the United States Delegation (Lot 57 D 284, Box 139). The reference is perhaps to Torquay telegram 12 to Rome (see Torquay telegram 457, February 23, *supra*).

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394.31/2–2751 : Telegram

*The Ambassador in Italy (Dunn) to the Secretary of State*

CONFIDENTIAL PRIORITY

ROME, February 27, 1951.

3732. Reference Embtel 3727, repeated Torquay 2 February 26. Foreign Office advises that as result of Embassy's approach yesterday another telegram was sent last night to Di Nola instructing him try his best find workable compromise on Benelux memorandum, meeting at least in part desires of US delegation, while always bearing in mind Italian adherence to principles of Pella Plan.

Sent Department 3732, repeated Torquay 3, information Paris 514.

DUNN

394.31/2–2751 : Telegram

*The Ambassador in France (Bruce) to the Secretary of State*

CONFIDENTIAL PRIORITY

PARIS, February 27, 1951—2 p. m.

5022. Deptel 4442, February 23. Embassy has informally discussed subject European tariff problem with Foreign Office along lines reference telegram emphasizing US position. Foreign Office officials gave assurances French had no objection in principle to continued efforts deal with European tariff problem on MFN basis and stated that French delegation Torquay would actively support US delegation in this matter. They expressed doubts, however, re possibility finding practical basis for negotiations and mentioned failure their previous suggestions at Torquay. They also doubted possibility satisfying Benelux and CE particularly. Netherlands in view recent adverse developments German balance of payments. Embassy understands Foreign Office has contacted French delegation Torquay by telephone to ensure coordination with US delegation.

Sent priority Torquay 18, repeated priority info Department 5022.

BRUCE

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394.31/2–2851 : Telegram

*The Acting Chairman of the United States Delegation to the Torquay Conference (Corse) to the Secretary of State*

CONFIDENTIAL

TORQUAY, February 28, 1951—8 a. m.

471. Pass ECA/W.

1. Ninth session of multilateral negotiating group took place after extensive consultations among French, Italian, UK, US and Netherlands delegations.

2. Two papers were placed before group, one representing proposal summarized previous telegrams for intersessional WP and agreed interim report of such party to be adopted after group constituted. Second proposal, developed at last moment to meet French views, was resolution addressed to chairman CP's by signatory CP's, stating views along lines of proposed interim reports and concluding with request for special session to create WP with terms of reference summarized, previous telegram.

3. All European delegations except UK initially agreed on second proposal.

4. UK delegation asserted proposed approach was objectionable because of projected tie-in with OEEC and because terms of reference referred to European tariff problem. UK said it could accept WP which was not related to OEEC and which was set up to explore

"whether it is possible to adapt GATT negotiating techniques to problems faced by low-tariff countries."

5. Swedes showed signs of weakening but other countries apparently held firm to initial favorable reaction to second proposal.

6. At US suggestion, chairman of group was authorized consult with Wilgress whether latter would promptly issue notice of projected special session of CP's to consider creation WP to explore subject problem. Since rules require three weeks' notice for such session, notification must occur promptly if WP is to be created at Torquay.

7. Document embodying second approach to be discussed paragraph by paragraph next meeting Friday March 2.

Sent Department 471, repeated information London 206, Paris 48 for OSR, Rome 14.

[CORSE]

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394.31/3-251 : Telegram

*The Acting Chairman of the United States Delegation to the Torquay Conference (Corse) to the Secretary of State*

TORQUAY, March 2, 1951—no time

486. Department pass ECA/W. As result decision at ninth meeting MN group previously reported, chairman of CP's has issued following notice:

"Chairman of CP's to GATT presents compliments to leader US delegation and has honor to request him to forward to his government following notice convening special session of CP's in accordance with Rule 1 of Rules.

"A number of CP's have requested chairman, in exercise of initiative vested in him under Rule 1, to convene special session of CP's at early date in order to receive and act upon suggestion to establish intersessional Working Party to consider proposals directed towards reduction of disparities in European tariffs within framework of GATT. Working Party would start its work in interval before sixth session and report progress to that session. Chairman has decided accede to this request and is issuing present notice to convene special session at Torquay not earlier than 21st March 1951. Exact date of session will be determined in near future and will be communicated by chairman to CP's together with detailed note of suggestions which will be submitted to session by delegates concerned.

"Chairman considers that it would also be desirable that special session should be prepared to deal with any matters that may require action by CP's with respect to Torquay protocol. Chairman will give notice of any such questions well in advance of special session".

Sent Department 486, repeated info London 210, Paris for OSR 50, Rome 15.

CORSE

394.31/3-351: Telegram

*The Acting Chairman of the United States Delegation to the Torquay Conference (Corse) to the Secretary of State*

RESTRICTED TORQUAY, March 3, 1951—noon.

NIACT

497. 1. With one exception noted below, MN group at tenth meeting reached agreement on text of statement to be addressed to chairman of CP's in connection with forthcoming special session. UK dissented, presenting alternative, which is being transmitted in separate telegram.[1] Canada maintained observer role.

2. Understanding with Dutch and French up to time of tenth meeting had been that US need not subscribe to proposed statement. Immediately before meeting, however, it developed that Dutch are now anxious for US to subscribe. Obvious purpose is to clinch US support for discussion of problem in OEEC. Moreover, likelihood continued Scandinavian adherence to approach would be greatly increased if US subscribed.

3. US representative informed Dutch and later informed meeting that, on basis of his general instructions, he believed US could subscribe to statement with one alteration. Paragraph 4 below shows complete text statement as proposed by Dutch. Paragraph 5 below shows amendment proposed by US.

4. "Delegates representing following countries at Torquay (names of countries) have met in order exchange views about results in field of European tariffs which can be expected from bilateral negotiations taking place Torquay. Undersigned arrived at following conclusions:

"At present moment, Torquay tariff negotiations have been completed. Accordingly, premature to make final judgment as to effects such negotiations upon structure of European tariffs. It is to be anticipated that the significant tariff reductions and bindings which will result from these negotiations, when added to results achieved at Annecy and Geneva, will have made measurable contributions to reduction of European tariff barriers as whole.

"It is not too early to conclude however, that tariff reductions achieved at Torquay will not be of such scope and magnitude as to represent substantial step in creation single market in Europe.

"Some delegates made it clear that in their opinion reduction of disparities and leveling European tariffs would be limited by existing disparities in social and economic structure and special conditions of countries concerned. Other delegations admitted it would not be realistic lose sight of these circumstances and therefore absolute equality of European tariffs not immediately feasible. They felt nevertheless that much more could be achieved in reduction existing disparities,

[1] *Infra.*

which are stated in preamble to decision OEEC Council 27 October 1950 to constitute obstacle to achievement single European market.

"Undersigned recognized that although methods heretofore applied in negotiations within GATT had proved their worth, these methods had not been designed with purpose of achieving single European market. They agreed there existed problem of disparity European tariffs and that WP of GATT should be created to make attempt to deal with it. For these reasons they have adopted following:

"(A) They request chairman CP's to convene special session at Torquay to create inter-sessional WP.

"(B) They suggest WP be composed of CP's or acceding governments which are associated with OEEC, and that WP be authorized to invite other CP's not OEEC member countries to take part in work.

"(C) They suggest terms of reference of WP should be following:

"(i) WP would consider proposals of any member for multilateral or other procedures designed to contribute to reduction of disparities in European tariffs, taking into account to extent necessary the disparities in economic and social structure of different countries, and to provide means of obtaining compensation from other members of GATT for consequent tariff reductions.

"(ii) WP would develop such other tariff proposals as it deemed appropriate in light objectives OEEC and decisions OEEC Council.

"(iii) WP would report to sixth session on progress made and would submit for consideration of CP's at this session such proposals as might require action by CP's in accordance with provisions of agreement.

"(D) They suggest that WP should meet, subject to call of its chairman, at such places as it may determine.

"(E) They further suggest that Executive Secretary should be instructed make appropriate arrangement for cooperation with Sec Gen OEEC.

"(F) For reasons set out in preamble, undersigned were of the opinion that it would be of vital importance for their work that WP be informed of opinion of Council of OEEC as to method, scope and general outline along which existing disparities in leveling European tariffs could be reduced. They therefore suggest that chairman CP's transmit present resolution to Sec Gen OEEC for its information."

5. US suggested that opening words of first sentence paragraph (F) above be stricken and recast so sentence would read as follows:

"(F) Undersigned recognize that task of OEEC has central relation to work of proposed WP and accordingly consider it most important that WP be informed, etc."

6. Re proposed change, US explained that original version left strong presumption that WP would be unable proceed without prior direction OEEC. US representative believed this did not accurately reflect his government. While valuing views of OEEC and believing

WP's work could be expedited and expanded by appropriate decisions in OEEC, US nevertheless felt WP might achieve useful results even if OEEC failed to act.

7. Appreciate earliest confirmation or modification position described above. Although next, possibly last, meeting MN group not scheduled until Wednesday next [March 7], instructions needed as guide for prior negotiation on language with Dutch.

Sent Department 497, niact Paris 52 for OSR, and repeated information Rome 16.

[CORSE]

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394.31/3-551 : Telegram

*The Acting Chairman of the United States Delegation to the Torquay Conference (Corse) to the Secretary of State*

RESTRICTED TORQUAY, March 5, 1951—3 p. m.

505. Re paragraph 1 ourtel 497 to Department repeated to London as 212, Paris for OSR 52 March 3. Memorandum proposed by UK at tenth meeting MN group is following verbatim text:

"1. Representatives of (names of countries) at Torquay negotiations met informally in order exchange views as to results in field European tariffs which could be expected from bilateral negotiations there taking place.

"2. They agreed that significant tariff reductions and bindings which would result from Torquay negotiations, when added to results achieved at Annecy and Geneva, could be expected make measurable contribution to reduction of European tariff barriers as whole. Doubts, however, were felt by some European representatives as to whether tariff reductions achieved at Torquay would be of such scope and magnitude as to permit creation of what they regard as single market in Europe.

"3. Some representatives made it clear that in their opinion reduction of disparities in level European tariffs must be limited by existing disparities in the social and economic structure and special conditions of countries concerned. Other representatives agreed that it would not be realistic to lose sight of these circumstances and, while believing that some approximation to equality of tariffs should be ultimate aim, that this would not be immediately feasible.

"4. It was nevertheless agreed that more could be attempted in reduction of existing tariff disparities by CP's although it was recognized that methods heretofore applied in negotiations within scope of GATT had proved their worth. They accordingly agreed to propose at special session of CP's convened at Torquay that intersessional WP be appointed.

"(A) To review efficacy of negotiation of procedures as tested in conferences held at Geneva, Annecy and Torquay, and to recommend such adjustments of adaptations as appear desirable and practical to improve the opportunities of countries with relatively low tariffs to negotiate for the reduction of rates by countries with relatively high rates. WP would make such further recommenda-

tions as may appear appropriate to facilitate effective progress to this end.

"(B) To report to 6th session of CP's on progress made and to submit for consideration of CP's at that session such proposals as might require action by them.

"5. It is recommended that WP should meet at call of its chairman, who in convening it would take into account the then existing and prospective powers of the United States administration to negotiate reductions in the US tariffs and any limiting conditions which might have been attached thereto. The place or places of meeting of the WP should, it is suggested, be settled by its chairman after consultation of the members, and the executive section would no doubt be directed to make all necessary secretarial and other arrangements."

Sent Department 505, repeated information London 213, Paris 53 for OSR.

CORSE

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394.31/3-751 : Telegram

*The Acting Chairman of the United States Delegation to the Torquay Conference (Corse) to the Secretary of State*

CONFIDENTIAL TORQUAY, March 7, 1951—5 p. m.

518. At final session multilateral negots group, memo adopted along lines reported previous tel.[1] All countries stated intent sign immediately except following: UK dissented. France and Italy stated awaiting signing authority. Can maintained observer role.

Rpt to London 218, Paris for OSR 56, and Rome 18.

CORSE

[1] Apparently the reference is to Torquay telegram 497, March 3, p. 1359.

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394.31/3-2051 : Telegram

*The Secretary of State to the Embassy in the United Kingdom* [1]

CONFIDENTIAL WASHINGTON, March 20, 1951—6 p. m.

4267. Re GATT special session Torquay Mar 29 and 30. Dept believes highly desirable Emb make early approach appropriate FonOff and BOT officials with view obtaining modification of Holmes position re intersessional WP on Eur tariffs. Pls consult with Corse in Torquay prior to making such approach.

Dept anticipates Holmes will attempt prevent formation intersessional WP by urging non-Eur countries to resist terms ref proposed by US and ten Eur countries. Holmes will probably argue for WP along lines summarized Torquay tel 505, Mar 5, rptd to London as

[1] Repeated to the U.S. Delegation at Torquay as 487.

213. Evident objective of UK is (1) avoid exercise which may in end require reduction UK trade barriers accordance with any formula, particularly if formula limits UK freedom to choose products to be subj to tariff reduction, and (2) avoid close identification of UK with Eur community, particularly where relationship differs from that of US and Canad to Eur.

You may wish point out to appropriate UK officials that UK approach on this subject at Torquay forced situation in which UK alone voted against US and ten Eur countries. You may also wish state belief that means can be found for progressing on Eur tariff disparities problem in GATT WP, along lines which leave individual countries substantial measure of discretion in selecting products for tariff reduction. You are authorized indicate US willingness give careful consideration any proposed UK amendments to proposal for WP, provided amendments do not prejudice possibility cooperation from other Eur countries in project and provided WP operates in Paris.

US interested having WP established in Paris because Paris location will facilitate and encourage at least *de facto* OEEC participation and will simplify backstopping US reps. Also all Eur countries, except UK, prefer Paris for similar reasons.

ACHESON

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394.31/3–2251 : Telegram

*The Secretary of State to the Embassy in the United Kingdom* [1]

CONFIDENTIAL WASHINGTON, March 22, 1951—6 p. m.

4302. Department would appreciate it if Moore [2] could be spared for period Mar 27 to 31 to participate in special session GATT CP's at Torquay, on question creating intersessional WP on Eur tariff disparities. Dept believes most important Moore shld be on hand at Torquay several days before Mar 30, when problem scheduled for discussion, in order consult with interested dels.

2. Believe presence of Hight,[3] OSR, at Torquay during special session wld be of great aid to USDel, in view his substantial contribution to prior negots this subj.

3. Briefing cable follows.[4]

ACHESON

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[1] Repeated to Paris for OSR as 4960 and to the U.S. Delegation at Torquay as 496.

[2] Ben T. Moore, Deputy Counselor for Economic Affairs, United States Embassy, London. Moore was subsequently assigned as an adviser to the United States Delegation to the Special Session.

[3] John Hight of the Office of the Special Representative of the Economic Cooperation Administration (OSR), Paris. Hight was also assigned to the Delegation in an advisory capacity.

[4] *Infra.*

394.31/3-2351: Telegram

*The Secretary of State to the Embassy in the United Kingdom*[1]

CONFIDENTIAL WASHINGTON, March 23, 1951—7 p. m.

4332. 1. Re Deptel 4302, Mar 22, rptd Paris for OSR, 4960, rptd USDel GATT, Torquay for info, 496. Desirable that non-Eur Commonwealth, and Latin American dels be contacted in order clarify US motivations in supporting OEEC-related GATT WP. Shld be made clear that one US objective in supporting proposal is to help strengthen GATT by avoiding risk OEEC countries will attempt develop tariff proposals solely within OEEC framework and without regard for GATT objectives. Non-Eur countries shld be made aware of risk that efforts either prevent formation WP or attempt change terms reference in order exclude any GATT–OEEC cooperation will result in effort on part continental Eurs abandon exercise in GATT and operate solely in OEEC framework. Weakening of GATT weakens assurance to rest world that US will continue liberal commercial policies.

2. Moore will have consult fully with ten Eur countries which are co-sponsors with US of WP proposal, particularly Dutch and Danes. However, no commitment was made to co-sponsors which wld prevent US seeking compromise position consistent with our objectives which is acceptable to UK and non-Eurs.

3. Any such compromise, however, shld retain two elements: (*a*) WP shld be charged with problem finding means for reducing Eur tariff disparities on basis which lowers Eur tariff levels, not with problem discussing in abstract difficulties in GATT of low tariff countries vs high tariff countries. If concession made to UK on this point, will open way packing WP with Commonwealth countries and may prevent participation by non-GATT Eurs in discussions. (*b*) Whether or not WP is formally authorized enlist aid OEEC Secretariat, necessary WP shld meet in Paris, not Geneva. Reasons for this position given Deptel 4267, Mar 20, rptd Torquay 487.

4. If UK stresses uncertainties re future US policies tariff field, Moore may wish counter with fol observations: (*a*) USDel satisfied legislative auth will be sufficient provide compensation to Eurs for any substantial tariff reductions extended to US. If, in end, US shld fail provide such compensation, Eurs have suffered no disadvantage, since they not compelled put in force reductions agreed upon among themselves. (*b*) Uncertainties US tariff policy are no greater than uncertainties tariff policy Eur countries. Only difference is that limitations on US action are expressed in legislation, whereas limitations on action Eur countries are ordinarily expressed in instrs by Cabinet to del. Assurances that such instrs issued some months hence wld be

[1] Repeated to Paris for OSR as 4993 and to the U.S. Delegation at Torquay as 505.

liberal and constructive cannot be provided by any country. This uncertainty particularly great for countries with slim parliamentary margins or caretaker govts.

ACHESON

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394.31/3-2751 : Telegram

*The Ambassador in the United Kingdom (Gifford) to the Secretary of State*

CONFIDENTIAL LONDON, March 27, 1951—6 p. m.

5090. US position on GATT special session Torquay as outlined Deptel 4267, Mar 20 discussed by Emb and ECA officers with Muntz and Mennel [1] of Fon Off. Mennel will be Fon Off rep assisting Holmes at special session.

Brit position as outlined by these officials appears to be somewhat different from line taken by Holmes during his most recent discussions this subject with Vernon. Brit appear to be willing to agree to terms of ref for working party which wld give problem of Eur tariff disparities priority over tariff disparities elsewhere in world provided such non-European GATT members as were interested were allowed to participate in working party and provided working party was not located in Paris. Brit appear confident that Canadians and other non-European GATT members will support this view. They made usual points about unwillingness of French and Italians to bargain in good faith and weakening of GATT which wld result from its sponsoring purely regional approach to tariff problems. It was agreed that it wld be useful for US and UK reps to have further bilateral discussions at Torquay prior to opening of special session.

GIFFORD

[1] Respectively, Thomas G. A. Muntz, Head, Economic Relations Department, British Foreign Office, and Peter Mennell, First Secretary in the Foreign Office. Mennell was attached subsequently to the British Delegation to the Special Session.

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*Editorial Note*

The Special Session of the Contracting Parties to GATT met at Torquay, March 29–April 3, 1951. The United States sent a Delegation of six consisting of the Chairman (Carl D. Corse), four advisers (John Hight, OSR; Walter Hollis, Office of the Legal Adviser, Department of State; Ben T. Moore, United States Embassy, London; and Vernon L. Phelps, Assistant Chief, Commercial Policy Staff, Department of State), and the Secretary of the Delegation (Frederick D. Hunt, Department of State). The files of the Delegation, consisting principally of official conference papers, are in Lot 57 D 284, Box 112. Cable traffic

is included in the master telegram file of the Torquay Conference (Lot 57 D 284, Box 139). The central indexed file 394.31 also contains relevant material.

The Special Session included five formal meetings held on March 29, March 30, March 31, April 2, and April 3, respectively. The summary record of these meetings is in the International Trade Files (Lot 57 D 284, Box 112); formal documentation of the Special Session is located in the same file.

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394.31/3-3151: Telegram

*The Chairman of the United States Delegation to the Special Session of the Contracting Parties to GATT (Corse) to the Secretary of State*

RESTRICTED
PRIORITY

TORQUAY, March 30, 1951—8 p. m.

626. Text UK draft resolution to be circulated Mar. 31.

CPs taking account of progress made in course of tariff negots held under GATT at Geneva, Annecy and Torquay towards achievement objectives of agrmnt.

Apprehending that further effective progress may prove more difficult in future in view of reductions already secured in tariffs generally.

Recognising that this must be matter of special concern to all CPs which have in substantial part already bound relatively low tariffs against increase.

Taking note further that this is matter of special concern also to all contracting parties which have subscribed to the Convention for Eur Economic Cooperation.

Considering that other problems connected with negotiation of new or compensatory concessions which may have been brought to light in course of the Torquay conf.

Believing that the negotiating principles and procedures of GATT require examination in light of experience gained in successive rounds of tariff negots and may be susceptible of development designed to promote further progress towards the achievement of the aims of CPs.

Resolve that WP be established to study these problems with terms of reference as follows:

(*a*) review efficacy of negot procedures, as tested in the conferences held at Geneva, Annecy, and Torquay, and recommend such adjustments or adaptations as may appear desirable and practical to improve opportunities of countries with relatively low tariffs to negot for reduction of rates by countries with relatively high tariffs

(*b*) take into account in this connection such practical instances as may have become evident of negotiations between two member countries or groups of countries being retarded or frustrated by disparities of tariffs already embodied in Schedules of tariff concessions

(*c*) study such other difficulties resulting from application to tariff problems of existing procedures of GATT as may suggest the need for adaptations thereof whether in respect of new concessions or compensatory concessions

(*d*) consider, taking due account of existing disparities in economic and social structures of different countries, proposals by any CP for multilateral procedures designed

(i) contribute to reduction of significant disparities in the tariffs of groups of countries; and

(ii) provide means of securing adequate compensation from such other member countries as would be likely under terms of agrmnt to benefit materially therefrom

(*e*) seek such information from CPs or other govts or from other orgs or their Secretariats as may assist them in their studies

(*f*) assemble as soon as possible at Geneva and to report to CPs not later than one month before their 6th sess is due to begin

CPs further resolve decide at their 6th sess upon action to be taken on WP's proposals.

Rpt London 247. Rpt Paris for OSR 61.

CORSE

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394.31/3-3151 : Telegram

*The Chairman of the United States Delegation to the Special Session of the Contracting Parties to GATT (Corse) to the Secretary of State*

SECRET TORQUAY, March 31, 1951—9 p. m.

PRIORITY

627. I. Situation at end of first full session of CPs on Eur disparity problem is as follows:

(*a*) Opposition to memo as signed by 10 countries comes largely from Commonwealth, including Canadians. Non-Commonwealth Asiatic countries and Latin Americans have not yet spoken but some opposition likely to develop from them.

(*b*) Main points of opposition are:

(1) Problem is not just Eur. Other countries (South Africa and Ceylon have been mentioned) have low-tariff difficulty and non-Eurs have vital interest in Eur efforts to lower tariffs because they will be asked for compensation.

(2) It follows that composition of WP should be broadened to . . .[1] GATT WP including non-Eur countries as full members.

(3) It also follows role of OEEC is over emphasized in memorandum.

(*c*) Commonwealth has agreed that there should be WP and that there is problem which shld be dealt with in GATT framework.

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[1] One word illegible in the file copy.

Brit have paper to be circulated tomorrow which proposes WP to study problem in general terms at Geneva. Text given in immediate preceding tel.[2]

(*d*) There are signs of weakening among OEEC signatories of memorandum. For example Melander [3] as chairman "summarized" discussion by proposing in effect establishment of GATT WP along lines of Brit proposal and simultaneous consideration of Eur aspect problem by OEEC.

II. Our appraisal is that effort to force through memorandum without change wld probably result in close vote which we wld lose and wld create atmosphere which wld make difficult constructive attack on problem.

III. We feel that effort shld be made to attract non-Eur support by moderated memorandum along fol lines:

(*a*) Recognize that problem of limitations on bilateral approach to tariff reduction along traditional GATT lines is problem of interest to non-Eur as well as Eur GATT countries and that WP shld study this problem but emphasize priority for Eur aspect in work of WP.

(*b*) Broaden composition by including a few non-Eur countries as full members.

(*c*) Drop some of OEEC refs or counter-balance them by more emphasis on GATT principles.

IV. We do not know extent to which OEEC signatories will accept modifications along these lines. Unless otherwise instructed we will make effort to persuade them to agree.

V. If situation develops that we are in minority on memorandum what shld our attitude be toward Brit proposal? Shld we oppose idea of any WP which wld be awkward or shld we try to amend Brit paper in direction of more emphasis on Eur and OEEC and then go along?

Sent Dept 627, repeated info London 248, Paris for OSR 62.

[CORSE]

[2] Torquay telegram 626, March 30, 8 p. m., p. 1366.

[3] Johan Melander, Chairman of the Norwegian Delegation to the Special Session, and Chairman of the Special Session.

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394.31/3-3151 : Telegram

*The Secretary of State to the Chairman of the United States Delegation to the Special Session of the Contracting Parties to GATT (Corse)*

SECRET NIACT WASHINGTON, March 31, 1951—5 p. m.

527. Re urtel 627 March 31.[1]

1. Agree line ur para III.

[1] *Supra.*

2. Object to Melander proposal para I*d* as worst of various alternatives. Idea having two groups, one Paris and other Geneva, working on same basic issue, not calculated produce results.

3. Re ur para V. Prefer Brit proposal to no working party at all. Suggest you concentrate amendment efforts on objective having WP in Paris.

4. Above ITP views only.[2] Impossible obtain interagency views in time for useful comments.

Sent to USDel, Torquay.

ACHESON

[2] That is, the views of the Office of International Trade Policy, Department of State, rather than the collective opinion of the several interested agencies of the government.

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394.31/4–251 : Telegram

*The Chairman of the United States Delegation to the Special Session of the Contracting Parties to GATT (Corse) to the Secretary of State*

RESTRICTED PRIORITY TORQUAY, April 2, 1951—9 a. m.

634. Fol proposal result of informal night mtg Melander's Hotel. To be circulated as chairman's proposal for consideration April 2, 4 p. m. Torquay time.

"The contracting parties having considered letter and memo (CP/103) received from dels (names of countries signing memo) on the subject disparities in level European tariffs;

Invite aforementioned CP's and acceding govts submit considered proposals for multilateral or other procedures designed achieve on non-discriminatory basis a reduction of disparities in tariffs of European countries concerned, taking into account to extent necessary disparities in economic and social structures of different countries;

Establish an intersessional WP with fol terms ref:

(*a*) To consider, in light their compatibility with general principles GATT, proposals submitted in response to above invitation and to formulate such recommendations as may be necessary to fit the proposals into framework of GATT;

(*b*) To consider problems that may arise in relation to securing adequate compensation from such other countries as may be likely to benefit from non-discriminatory extension to them of arrangements proposed;

(*c*) To review continuing efficacy of negotiating procedures, as tested in conf held at Geneva, Annecy and Torquay, and to recommend such adjustments or adaptations as may appear desirable and practical to improve the opportunities of countries with relatively low tariffs to negotiate for reduction of rates by countries with relatively high tariffs;

(*d*) To report not later than 17 August 1951 (I) its findings in respect (*a*) (*b*) above and (II) progress on (*c*)."

WP wld be composed Can, US, UK, Fr, Italy, Den, India, Cuba, Brazil, Australia, Belgium, Neth. It wld elect its own chairman and meet initially at Geneva, place or places subsequent mtgs to be determined by WP.

Sent Dept 634, rptd info London 250, Paris 63 for OSR.

CORSE

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394.31/4-251 : Telegram

*The Chairman of the United States Delegation to the Special Session of the Contracting Parties to GATT (Corse) to the Secretary of State*

SECRET
PRIORITY

TORQUAY, April 2, 1951—10 a. m.

635. ReDeltel 634, rptd London 250 and Paris for OSR 63.

1. At evening mtg Apr 1 Blankenstein presented written draft with provision along lines "invite clause."

US first succeeded diverting discussion therefrom, but later unable prevent formulation proposal Deltel 634 for submission Washington when evident it offered avenue compromise between Blankenstein and Cohen. Proposal has strong backing Melander, Blankenstein, Cohen, Reisman, Wyndham-White. Reps Belg and Den also present and in favor of compromise. Motives behind this support not completely clear.

2. Invite clause gives Blankenstein opportunity have specific European tariff proposals worked out in purely European group, undoubtedly working Paris. Altho previously agreeing few non-Eurs on WP under ten country memo, be continued worry about their discussions delaying work on European problem. Also encouraged by Melander's proposal (Deltel 627, Mar. 30 [*31*]), and showed impatience US attempt amend ten country memo to meet Brit. Moreover, point (*d*) terms reference gives priority consideration Eur problem in WP.

3. Cohen gets general study in point (*c*) terms reference, thus saving face. May be influenced failure US negots in desiring prompt study new negotiating techniques. We have not referred Acheson statement before House, that no major negotiation contemplated in next three years.[1]

4. Others relieved by compromise nature proposal, including possibility have WP not loaded Euros and decrease importance Paris as mtg place.

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[1] Reference is to a statement by Secretary Acheson before the House Ways and Means Committee, January 22, concerning renewal of the Trade Agreements Act. For text, see the Department of State *Bulletin*, February 25, 1951, p. 209.

5. We obtained modifications wording to make invite clause less obviously envisage complete formulation European tariff proposals outside GATT, as avowedly intended shld be case, with GATT role largely review for policing purposes re GATT principles. Thus under compromise formulation wld probably be influenced by OEEC without opportunity other CP's to influence result or obtain background re factors involved. However European study will proceed on basis nondiscrimination principle. We agreed submit Washington in view strong support all countries present including Canada and belief alternative wld be consideration problem in OEEC with much less GATT participation or review. Wld be very difficult get Blankenstein back to approach ten country memo if we reject compromise.

Sent Dept 635, rptd info London 251, Paris 64 for OSR.

CORSE

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394.31/4–251 : Telegram

*The Chairman of the United States Delegation to the Special Session of the Contracting Parties to GATT (Corse) to the Secretary of State*

RESTRICTED TORQUAY, April 2, 1951— 6 p. m.

646. 1. Resolution in Deltel 250 [1] adopted by CP's without change.

2. Chairman appointed WP composed of countries listed in last paragraph reftel plus South Africa and Sweden.

3. Press release summarizing results of meeting will be issued by Secretariat for inclusion in papers Wed. morning. Cabling text separately.

Repeated London 253, Paris for OSR 65.

CORSE

[1] Same as Torquay telegram 634, April 2, p. 1369.

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394.31/4–451 : Telegram

*The Acting Chairman of the United States Delegation to the Torquay Conference (Corse) to the Secretary of State*

RESTRICTED TORQUAY, April 4, 1951—5 p. m.

650. Re Deltel 646, rptd London 253 and Paris for OSR 65. Fol is text press statement approved CP's for release Apr 3:

Problem of the disparity of European tariffs.

Special session of CP's was held Torquay from Mar 29 to Apr 3 under chairmanship of Melander, Norway, Chairman CP's.

CP's had under consideration memorandum from reps at Torquay conference of Austria, the Belgo-Lux, Denmark, France, Germany, Italy, Netherlands, Norway, Sweden and US on subject disparities in level European tariffs.

It was submitted in memorandum that tariff reduction resulting Torquay negots, altho expected to be significant, wld not be of such scope and magnitude as to represent sufficient contribution to reduction of existing disparities in level of European tariffs.

Memorandum went on to propose procedures for study of question within scope of gen agreement and requested the CP's shld meet in order to set up WP to consider problem in interval before the sixth session of CP's which is due to convene on 17 Sept 1951.

After thorough consideration of matter in course of special session the contracting parties resolved to invite above-mentioned countries to submit proposals for multilateral or other procedures designed achieve on non-discriminatory basis reduction of disparities in tariffs of European countries concerned, taking into account to extent necessary disparities in economic and social structure of different countries.

CP's also agreed to establish intersessional WP with fol terms ref:

(*a*) To consider, in light of their compatibility with the general principles of GATT, proposals submitted in response to above invitation and to formulate such recommendations as may be necessary to fit proposals into framework of GATT.

(*b*) To consider problems that may arise in relation to securing adequate compensation from such other countries as may be likely benefit from non-discriminatory extension to them of arrangements proposed.

(*c*) To review the continuing efficacy of the negotiating procedures, as tested in conferences held at Geneva, Annecy and Torquay and to recommend such adjustments or adaptations as may appear desirable and practical to improve opportunities of countries with relatively low tariffs to negotiate for reduction of rates by countries with relatively high tariffs.

The membership of WP, which will hold its first mtg at Geneva, comprises Australia, Belgium, Brazil, Canada, Cuba, Denmark, France, India, Netherlands, Italy, South Africa, Sweden, United Kingdom and United States. The UP [*WP*] will elect its own chairman.

Sent Dept 650; rptd info London 256, Paris 66 for OSR.

CORSE

## III. THE TRADE AGREEMENTS EXTENSION ACT OF JUNE 16, 1951

### *Editorial Note*

During the same months of 1951 that the United States Delegation at Torquay was implementing the trade agreements program within the context of GATT, in Washington the State Department was urging Congress to extend the Trade Agreements Act of 1949 (63 Stat. 697), which on June 12 terminated the President's authority to enter into trade agreements. For text of the Trade Agreements Extension Act of 1951 as finally approved on June 16 (65 Stat. 72), see *infra*.

The principal documentation of the legislative history of the act is incorporated into the following:

(1) House Report No. 14, 82d Cong., 1st sess.;
(2) Senate Committee on Finance, 82d Cong., 1st sess., *Hearings . . . on H.R. 1612. . . .* (pt. 2);
(3) Senate Report No. 299, 82d Cong., 1st sess.;
(4) House Report No. 537, 82d Cong., 1st sess., *Conference Report.*

Executive Branch interest in the legislation was reflected in statements to the Congressional committees on the part of the highest Administration officials of the departments and agencies concerned. Part II of the Senate Hearings consisted primarily (1314 out of 1432 pages) of the testimony of Winthrop G. Brown, Director of the Office of International Trade Policy, Department of State, and accompanying additional information submitted for the record by Mr. Brown. As such it constitutes a useful reference source.

For statements by Secretary of State Acheson to the House Ways and Means Committee on January 22, 1951, and the Senate Finance Committee on February 22, 1951, see Department of State *Bulletin*, February 5, 1951, page 209, and March 12, 1951, page 435. The Acheson statements reflected the continuing Administration concern, and particularly that of the Department of State, with the contradictory aspects of the trade agreements legislation as it was emerging in the two houses: on the one hand, the broad grant of the necessary legislative authority by the Congress to the Executive to reduce and bind tariffs (or to increase them); on the other hand, having given the Executive such authority, the restrictions inserted into the new legislation by the Congress to limit in various ways the Executive's discretion to exercise such authority.

For documentation regarding the Department of State's position on section 22 of the Agricultural Adjustment Act of 1933, as amended, as it related to the passage of this trade agreement legislation, see pages 1424 ff.

*Public Law 50 (Trade Agreements Extension Act of June 16, 1951)*[1]

AN ACT

June 16, 1951
[H.R. 1612]

To extend the authority of the President to enter into trade agreements under section 350 of the Tariff Act of 1930, as amended, and for other purposes.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled*, That this Act may be cited as the "Trade Agreements Extension Act of 1951".

Trade Agreements Extension Act of 1951.

SEC. 2. The period during which the President is authorized to enter into foreign-trade agreements under section 350 of the Tariff Act of 1930, as amended and extended is hereby extended for a further period of two years from June 12, 1951.

48 Stat. 943.
19 U.S.C. § 1351.

Furnishing of list by President.

SEC. 3. (a) Before entering into negotiations concerning any proposed foreign trade agreement under section 350 of the Tariff Act of 1930, as amended, the President shall furnish the United States Tariff Commission (hereinafter in this Act referred to as the "Commission") with a list of all articles imported into the United States to be considered for possible modification of duties and other import restrictions, imposition of additional import restrictions, or continuance after the receipt of such list by the Commission. No of such list the Commission shall make an investigation and report to the President the findings of the Commission with respect to each such article as to (1) the limit to which such modification, imposition, or continuance may be extended in order to carry out the purpose of such section 350 without causing or threatening serious injury to the domestic industry producing like or directly competitive articles; and (2) if increases in duties or additional import restrictions are required to avoid serious injury to the domestic industry producing like or directly competitive articles the minimum increases in duties or additional import restrictions required. Such report shall be made by the Commission to the President not later than 120 days after the receipt of such list by the Commission. No such foreign trade agreement shall be entered into until the Commission has made its report to the President or until the expiration of the 120-day period.

Report to President.

Restriction.

[1] Text from 65 Stat. 72.

Hearings.

(b) In the course of any investigation pursuant to this section the Commission shall hold hearings and give reasonable public notice thereof, and shall afford reasonable opportunity for parties interested to be present, to produce evidence, and to be heard at such hearings.

48 Stat. 945.
19 U.S.C. § 1354.

Information and advice.

(c) Section 4 of the Act entitled "An Act to amend the Tariff Act of 1930", approved June 12, 1934, as amended (19 U.S.C., sec. 1354), is hereby amended by striking out the matter following the semicolon and inserting in lieu thereof the following: "and before concluding such agreement the President shall request the Tariff Commission to make the investigation and report provided for by section 3 of the Trade Agreements Extension Act of 1951, and shall seek information and advice with respect to such agreement from the Departments of State, Agriculture, Commerce, and Defense, and from such other sources as he may deem appropriate."

Copy of agreement to Congress.

48 Stat. 943.
19 U.S.C. § 1351.

SEC. 4. (a) Within thirty days after any trade agreement under section 350 of the Tariff Act of 1930, as amended, has been entered into which, when effective, will (1) require or make appropriate any modification of duties or other import restrictions, the imposition of additional import restrictions, or the continuance of existing customs or excise treatment, which modification, imposition, or continuance will exceed the limit to which such modification, imposition, or continuance may be extended without causing or threatening serious injury to the domestic industry producing like or directly competitive articles as found and reported by the Tariff Commission under section 3, or (2) fail to require or make appropriate the minimum increase in duty or additional import restrictions required to avoid such injury, the President shall transmit to Congress a copy of such agreement together with a message accurately identifying the article with respect to which such limits or minimum requirements are not complied with, and stating his reasons for the action taken with respect to such article. If either the Senate or the House of Representatives, or both, are not in session at the time of such transmission, such agreement and message shall be filed with the Secretary of the Senate or the Clerk of the House of Representatives, or both, as the case may be.

Report to Congressional Committees.

(b) Promptly after the President has transmitted such foreign trade agreement to Congress the Commission shall deposit with the Committee on Ways and Means of the House of Representatives, and the Committee on Finance of the Senate, a copy of the portions of its report to the President dealing with the articles with respect to which such limits or minimum requirements are not complied with.

Withdrawal of concessions from Communist areas.

SEC. 5. As soon as practicable, the President shall take such action as is necessary to suspend, withdraw or prevent the application of any reduction in any rate of duty, or binding of any existing customs or excise treatment, or other concession contained in any trade agreement entered into under authority of section 350 of the Tariff Act of 1930, as amended and extended, to imports from the Union of Soviet Socialist Republics and to imports from any nation or area dominated or controlled by the foreign government or foreign organization controlling the world Communist movement.

48 Stat. 943.
19 U.S.C. § 1351.

Escape clause: Restriction on continuance of concessions.

SEC. 6. (a) No reduction in any rate of duty, or binding of any existing customs or excise treatment, or other concession hereafter proclaimed under section 350 of the Tariff Act of 1930, as amended, shall be permitted to continue in effect when the product on which the concession has been granted is, as a result, in whole or in part, of the duty or other customs treatment reflecting such concession, being imported into the United States in such increased quantities, either actual or relative, as to cause or threaten serious injury to the domestic industry producing like or directly competitive products.

(b) The President, as soon as practicable, shall take such action as may be necessary to bring trade agreements heretofore entered into under section 350 of the Tariff Act of 1930, as amended, into conformity with the policy established in subsection (a) of this section.

Report to Congress.

On or before January 10, 1952, and every six months thereafter, the President shall report to the Congress on the action taken by him under this subsection.

Investigation by Commission.

SEC. 7. (a) Upon the request of the President, upon resolution of either House of Congress, upon resolution of either the Committee on Finance of the Senate

or the Committee on Ways and Means of the House of Representatives, upon its own motion, or upon application of any interested party, the United States Tariff Commission shall promptly make an investigation and make a report thereon not later than one year after the application is made to determine whether any product upon which a concession has been granted under a trade agreement is, as a result, in whole or in part, of the duty or other customs treatment reflecting such concession, being imported into the United States in such increased quantities, either actual or relative, as to cause or threaten serious injury to the domestic industry producing like or directly competitive products.

Tariff Commission hearings.

In the course of any such investigation, whenever it finds evidence of serious injury or threat of serious injury or whenever so directed by resolution of either the Committee on Finance of the Senate or the Committee on Ways and Means of the House of Representatives, the Tariff Commission shall hold hearings giving reasonable public notice thereof and shall afford reasonable opportunity for interested parties to be present, to produce evidence, and to be heard at such hearings.

Recommendation to President.

Should the Tariff Commission find, as the result of its investigation and hearings, that a product on which a concession has been granted is, as a result, in whole or in part, of the duty or other customs treatment reflecting such concession, being imported in such increased quantities, either actual or relative, as to cause or threaten serious injury to the domestic industry producing like or directly competitive products, it shall recommend to the President the withdrawal or modification of the concession, its suspension in whole or in part, or the establishment of import quotas, to the extent and for the time necessary to prevent or remedy such injury. Within sixty days, or sooner if the President has taken action under subsection (e) of this section, the Tariff Commission shall transmit to the Committee on Finance of the Senate and the Committee on Ways and Means of the House of Representatives an exact copy of its report and recommendations to the President.

Copy of report, etc., to Congress.

Factors for consideration.

(b) In arriving at a determination in the foregoing procedure the Tariff Commission, without excluding other factors, shall take into consideration a downward trend of production, employment, prices, profits, or wages in the domestic industry concerned, or a decline in sales, an increase in imports, either actual or relative to domestic production, a higher or growing inventory, or a decline in the proportion of the domestic market supplied by domestic producers.

Modifications by President.

(c) Upon receipt of the Tariff Commission's report of its investigation and hearings, the President may make such adjustments in the rates of duty, impose such quotas, or make such other modifications as are found and reported by the Commission to be necessary to prevent or remedy serious injury to the respective domestic industry. If the President does not take such action within sixty days he shall immediately submit a report to the Committee on Ways and Means of the House and to the Committee on Finance of the Senate stating why he has not made such adjustments or modifications, or imposed such quotas.

Report.

Publication of Commission's report.

(d) When in the judgment of the Tariff Commission no sufficient reason exists for a recommendation to the President that a concession should be withdrawn or modified or a quota established, it shall make and publish a report stating its findings and conclusions.

Perishable agricultural commodities.
Emergency action.

SEC. 8. (a) In any case where the Secretary of Agriculture determines and reports to the President and to the Tariff Commission with regard to any agricultural commodity that due to the perishability of the commodity a condition exists requiring emergency treatment, the Tariff Commission shall make an immediate investigation under the provisions of section 22 of the Agricultural Adjustment Act, as amended, or under the provisions of section 7 of this Act to determine the facts and make recommendations to the President for such relief under those provisions as may be appropriate. The President may take immediate action however, without awaiting the recommendations of the Tariff Commission if in his judgment the emergency requires such action. In any case the report and findings of the Tariff Commission and the decision of the President shall be made at the earliest possible date and in any event not more than 25 calendar days after the submission of the case to the Tariff Commission.

49 Stat. 773.
7 U.S.C. § 624.
*Ante*, p. 74.

62 Stat. 1250.
7 U.S.C. § 624(f).

(b) Subsection (f) of section 22 of the Agricultural Adjustment Act, as amended, is hereby amended to read as follows:

"(f) No trade agreement or other international agreement heretofore or hereafter entered into by the United States shall be applied in a manner inconsistent with the requirements of this section."

48 Stat. 944.
19 U.S.C.
§§ 1001, 1201.

SEC. 9. (a) The second sentence of section 2(a) of the Act entitled "An Act to amend the Tariff Act of 1930", approved June 12, 1934, as amended, is amended by striking out the word "sections" and inserting in lieu thereof the word "section" and by striking out "and 516(b)".

52 Stat. 1086.
19 U.S.C. § 1516 note.
GATT.

(b) Subsection (c) of section 17 of the Customs Administrative Act of 1938, as amended, is hereby repealed.

SEC. 10. The enactment of this Act shall not be construed to determine or indicate the approval or disapproval by the Congress of the Executive Agreement known as the General Agreement on Tariffs and Trade.

61 Stat., Pts. 5 and 6.

Importation of certain furs.
Restriction.

SEC. 11. The President shall, as soon as practicable, take such measures as may be necessary to prevent the importation of ermine, fox, kolinsky, marten, mink, muskrat, and weasel furs and skins, dressed or undressed, which are the product of the Union of Soviet Socialist Republics or of Communist China.

Approved June 16, 1951.

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394.31/6–651 : Telegram

*The Secretary of State to Embassies in France, the United Kingdom, and Canada*

CONFIDENTIAL WASHINGTON, June 6, 1951.

6606 [Paris], 5678 [London], 190 [Ottawa]. Re Trade Agreements Act renewal. Congress has now completed action on, and Pres will probably shortly sign, bill renewing TA Act. Bill provides two-year extension existing authority negotiate for reduction duties. However, bill differs from existing TA Act fol principal respects:

1. Escape clause. Bill requires escape clause procedure generally like that heretofore provided for through executive order. Language in bill describing circumstances under which escape clause may be resorted to differs some respects, but not materially, from provisions

Art XIX GATT. Final appraisal of significance these differences from viewpoint GATT not yet completed. Ability any domestic industry require investigation by Tariff Commission to determine whether it is suffering or threatened with injury from imports is materially facilitated by various provisions of bill. Prospect is that nr escape clause investigations undertaken by Tariff Commission will increase considerably.

2. Peril pt provision. Bill sets up procedure whereby Tariff Commission, before new trade agreement negots are entered into, required set "peril pt" respect each US duty being considered for negot, i.e., pt beyond which reductions wld cause or threaten serious injury domestic industry or to which rate shld be increased order avoid such injury. If any rate reduced below peril pt or is not increased to peril pt in any negot, Pres required report this fact to Cong and describe reasons for action taken with respect art in question. This provision similar peril pt provision TA Extension Act 1948 [*1949*], except earlier peril pt provision required transmission Cong of Tariff Commission's peril pt findings with respect all products covered by trade agreement, wherever any one of them was exceeded.

3. Communist amendment. Bill requires Pres soon as practicable deny to products from USSR and "from any nation or area dominated or controlled by fon govt or fon org controlling world communist movement" benefits all present and future concessions negotiated under TA Act. Some countries affected by this provision have agreements in force with US granting them rights which are at variance this provision, while others do not. Re Soviet dominated countries and areas where US has no MFN obligations, expected trade agreement concessions will be withdrawn by Pres action shortly after bill signed. Action re other countries will depend on nature of obligation involved. US will denounce its existing agreement with USSR which guarantees MFN treatment that country, and will probably denounce MFN commitments with nr satellite countries. At end denunciation period provided for these various agreements, imports from areas concerned by and large will be subject to rates contained in Tariff Act 1930. No determination yet made how deal Czecho, which is guaranteed duty concessions and MFN treatment through its adherence GATT.

4. Emergency treatment for perishable commodities. Bill sets up procedure whereby Secy Agric may determine that, due to perishability an agriculture commodity, condition exists requiring emergency treatment. In such circumstances, Tariff Commission must immed investigate either under escape clause or under sec 22 Agric Adjustment Act and must make recommendations to Pres for such relief as appropriate under those provisions. This means, in gen, where imports

causing or threatening injury either to producers or to agricultural program such as price stabilization, Tariff Commission must make recommendations to Pres. Report of Tariff Commission and decision of Pres must be made within 25 days of time Secy Agric submits case to Tariff Commission. Another provision same section authorizes Pres take action these cases without awaiting Tariff Commission recommendations, but unclear to Dept how this provision wld operate in practice.

6. [*sic*] Consistency with sec 22. Bill provides: "No trade agreement or internatl agreement heretofore or hereafter entered into by US shall be applied in manner inconsistent with requirements of "sec 22 Agric Adjustment Act. This amendment raises possibility Pres may be required impose quantitative restrictions on imports threatening domestic agricultural program, even though circumstances not such justify import restrictions under GATT. Whether situations this sort will arise in fact problematical. No policy yet formulated way situation will be handled if it arises.

7. Appeals to customs court. Bill restores right domestic producer appeal customs court contest tariff classification imported art. This right previously terminated respect products covered in trade agreements.

8. Prohibition imports of certain communist furs. Pres required soon as practicable take measures prevent import certain types furs from Soviet Union and Communist China. This action, like action called for by Communist amendment summarized para 3 above, will not be taken respect Soviet furs until existing trade agreement with USSR denounced and is inoperative. Prohibition against Chinese furs, however, will be applied shortly after Act goes into effect.

Text bill being airmailed.

Comments above for ur info and background answering queries.

ACHESON

## IV. TERMINATION OF OBLIGATIONS BETWEEN THE UNITED STATES AND CZECHOSLOVAKIA UNDER GATT (THE SIXTH SESSION OF THE CONTRACTING PARTIES TO GATT)

394.31/7–1051: Telegram

*The Secretary of State to the Embassy in Czechoslovakia*

SECRET WASHINGTON, July 18, 1951—8 p. m.

21. Sec 5 of Trade Agreements Extension Act 1951 [1] directs Pres soon as practicable deny trade concessions Sov bloc countries and areas. Notes denouncing or proposing modification agreements with USSR,

[1] For documentation regarding the 1951 trade agreements legislation, see pp. 1373 ff.

Rum, Bulg, Hung and Pol delivered and anticipated new tariff rates effective in one to 12 months time.[2]

Multilateral nature GATT obligations makes problem implementation Sec 5 re Czecho difficult.[3] Action under Art XXI studied but rejected because difficult show natl security involved in merely raising rates to limited extent involved. Art XXIII prescribes consultation with Czecho which Dept wishes avoid. Other GATT Arts. provide for consultation (and remedies) for dumping and discrim state trading, so Interdepartmental Trade Agreements Committee[4] feeling is US shld attempt obtain waiver under Art XXV which requires two-thirds vote contracting parties voting, which must also constitute majority of all CP's. However, recent informal discussion problem with Can officials indicate wld be easier obtain required vote if documented case prepared showing impairment, for use in informal discussion with other CP's, although US intends to ask CP's for waiver under XXV rather than proceed under XXIII.[5]

Case under XXIII difficult develop on product basis since major items on which Czecho granted concessions to US now on export control lists. Dept therefore favors showing denial by Czecho to US of m-f-n treatment sufficient to constitute impairment. Case wld be based on privileged position enjoyed by USSR Exim trade of Czecho, discrim practices Czecho state trade corps and discrim suffered by US business reps and firms. Any evidence Emb can contribute in building up such case either by citations relevant previous material or new data needed urgently.

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[2] For texts of the notes to the U.S.S.R., Romania, Hungary, and Poland on June 23, June 27, and July 5, respectively, see Department of State *Bulletin*, July 16, 1951, pp. 95 and 96. Public announcement of this action was made by the Department of State on July 6; see *ibid.*, p. 95. Notice by the United States of intent to terminate the agreement with Bulgaria was transmitted to the Bulgarian Government, through the Swiss Government, on July 12; for the Department's announcement on this, see *ibid.*, October 1, 1951, p. 550. On August 1 President Truman signed a proclamation ordering the suspension of trade-agreement concessions with respect to Communist-dominated countries, the actual dates of termination to be consistent with the international commitments of the United States; for text, see *ibid.*, August 20, 1951, p. 291. In a letter from the President to the Secretary of the Treasury, released to the press on August 1, certain "nations and areas" were named for which the suspension was to take effect after the close of business August 31, 1951; for text, see *ibid.*, pp. 291 and 292. (The Soviet Union itself was not named in this list, and the only states were Albania and Romania; all other listings fell within the category of "Communist-dominated" countries or areas, such as "any part of China which may be under Communist domination or control", "the Soviet zone of Germany", Communist-dominated or controlled areas of the Associated States of Indochina and Korea, Estonia, Latvia and Lithuania, etc.)

[3] For information on the General Agreement on Tariffs and Trade (GATT), see footnote 3, p. 1245.

[4] For information on the Interdepartmental Committee on Trade Agreements (TAC) and its role in the U.S. tariff negotiating process, see footnote 2, *ibid.*

[5] The implicit reference here is to action to be initiated by the United States at the Sixth Session of the Contracting Parties of GATT (cited hereafter as CP's when used in the collective sense), scheduled to convene at Geneva, Switzerland on September 17, 1951.

Dept needs citations of regs, decrees, and official statements clearly demonstrating special position Sov agencies in Czecho, examples of denial of US reps access Czecho officials, effect of Law on Protection of Republic which makes impossible obtain credit ratings or market surveys, discrim treatment of US commercial traders and samples, virtual Czecho embargo on certain US product such as films, books, etc.

For maximum usefulness material shld reach Dept by July 25.

Dept's action in this matter based on aforementioned TA legislation and is not specifically related to question of econ reprisals in Oatis case.[6]

ACHESON

[6] For documentation on the Oatis case, see vol. II, pp. 735 ff.

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394.31/7–2551 : Telegram

*The Ambassador in Czechoslovakia (Briggs) to the Secretary of State*

SECRET PRAHA, July 25, 1951—5 p. m.

68. (Section one of two)

I. Believe case against Czecho under sec 5 trade agreements extension act 1951 must rest on fact that since Feb '48 Czecho has followed autarchic trading policy imposed upon Peoples Democracies and that apparent deviations explained by fact that Sov orbit countries continue dependent upon non-orbit countries for some commodities. (Deptel 21, July 10)[1]

II. Emb will cite below public statements and specific directives which reveal Czech fon trade policy. To appreciate significance material quoted it is necessary understand real meaning of terminology used and fact that Czech public statements on fon trade are deliberately guarded to deny GATT members basis for abrogating trade concessions. Ref to "cooperation with Sov Union in constructing socialism and Socialistic economy" means strict compliance with edicts of Cominform Council for Mutual Econ Assistance, with Sov master plan for development of economies of Peoples Democracies and with limitations stemming from Czech-Sov trade agreements. Term "capitalist country" means any country outside Sov orbit. "Strengthening of Czech independence" means reducing trade with non-orbit countries to absolute minimum. "Protection from economic crisis in capitalist market" means eliminating all imports except those which cannot be obtained within Sov orbit and production or export to Sov orbit only. Secret directive outlined in numbered para IV below and the trading experiences of non-orbit countries with Czecho since 1949 show true meaning of vague terms usually used in official references to fon trade policy.

[1] Not printed.

III. Basic fon trade policy outlined by Pres Gottwald before Central Comite Czecho CP Feb 24, 1950 (page 17 first para enclosure 1 Embdes 266 Mar 18, 1950).[2] This policy foreshadowed by speech Gregor Min Fon Trade Apr 21, 1949 and put in focus by statement Min Ind Kliment Mar 10, 1950 (DRE divisional report EE–92 Sept 11, 1950).[2] In article *Prace* Dec 28, 1950 Gregor again referred to need to "further strengthen independence of economy from imports from capitalist countries". Dolansky press State Planning Office in speech before Central Comite Feb 22, 1951 referred to econ agreement among Peoples Democracies stating these agreements "protect them from the influence of uncertain development in capitalistic markets, paralyze the effects of discrimination and strengthen the econ independence of our country on capitalist countries". Commenting on Czech-Chinese trade agreement June 23, 1951 Gregor said that it meant "a further strengthening of the independence of our industry from the imports from capitalist countries". (*Ceteka* bulletin 1/356 June 25)[2] Report of Czech Cabinet on 1951 fon trade plan states it "will assist in strengthening independence of the republics and in increasing share of USSR and Peoples Democracies in imports from 55 to 61 percent and in exports from 54 to 59 percent". Official figs for first quarter 1951 reveal share of Sov orbit in Czech fon trade rose to 56.5 percent compared with 48.2 percent for first quarter, 1950.

(Section two of two)

IV. In April or May 1950 a secret directive was issued to vice ministers and section and department chiefs in Fon Trade Min implementing the policy laid down by Pres Gottwald (III above). The directive provided that beginning Jan 1, 1951 Czech Govt would successively implement a policy designed achieve independence from trade with capitalist world. With respect imports this directive provided: (1) only absolute essentials to be imported from capitalist countries and these only when adequate substitutes could not be found within Sov orbit; (2) insofar as possible payments to be made through export non-essential goods; (3) to extent shipping available all imports to be channeled through ports of Stettin Gdynia and to be carried on Sov orbit ships. Re exports: (1) nothing to be delivered to capitalist countries which is required in Sov Union or Peoples Democracies; (2) no exports which can be used for defense permitted to capitalist countries; (3) Peoples Democracies granted priority in delivery goods required for rebuilding their economy; (4) exports to capitalist countries to be limited to non-essential goods insofar as possible; (5) deliveries of iron and steel products to capitalist countries to be reduced to minimum (following Czech-Sov five year trade agreement concluded Nov 3, 1950 delivery cast iron products to non-

[2] Not printed.

orbit countries reduced by 80 percent); (6) shipping across West Germany and from Western European ports to be reduced to minimum and whenever possible, Polish vessels to be employed for overseas trade.

This directive was issued jointly by the Cabinet of Min Fon Trade and by econ committee of central secretariat Czech CP.

Emb does not have copy of directive referred above but info considered reliable.

V. *a.* Visas: Officials in fon trade office instructed not to recommend granting visas to citizens of non-orbit countries unless their visits to Czecho contribute significantly to Czech economic interests. In contrast this restrictive policy governing US and other Western businessmen, visas never refused for commercial missions from orbit countries.

*b.* Efforts Emb officials discuss general economic problems with Czech authorities not only rebuffed but in one instance resulted in public statement by Czech official urging vigilance against "seemingly innocent inquiries by Western diplomats who conduct espionage activity in Czecho".

*c.* Oatis trial (July 1951) and Louwtms [*Louwers?*] (Dutch businessman) trial (Mar 1950) demonstrated that any American official or private businessman inquiring into commercial or economic activity in Czecho vulnerable to accusation of espionage.

*d.* US or other Western official exhibitors who might participate Prague trade fair or Karlovyvary film festival required tailor exhibits fit political criteria established by Czech Govt.

BRIGGS

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411.4931/7-3051: Telegram

*The Secretary of State to the Embassy in France*

SECRET WASHINGTON, July 30, 1951—7 p.m.

695. For Leddy.[1]

1. Re trade relations with Czecho Dept has proposed and TAC has agreed to fol course.

2. Dept will send to Wyndham White [2] and will release fol for Wed morning newspapers: (*a*) ltr to Wyndham White requesting that, in

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[1] John M. Leddy, Deputy Director of the Office of International Trade Policy. Leddy was in Europe at this time with a small group of Department of State experts from the Commercial Policy Staff, to engage in an exchange of views on GATT matters regarding the Sixth Session meeting scheduled for September, with their counterparts in the British, French, Belgian, Netherlands, and Norwegian Governments.

[2] Eric Wyndham White, Executive Secretary for the Interim Commission for the International Trade Organization. ICITO had been performing the services of a secretariat for GATT. The Department's telegram to Wyndham White was No. 84 to Geneva, July 30, 8 p. m., not printed.

circulating provisional agenda for Sixth Session, an item shld be included entitled "Termination of Obligations between US and Czecho under Agreement" and requesting that statement be circularized to CPs in explanation of proposed agenda item; and (*b*) text of such statement, as contained in para three below.

3. Begin text. US has determined withdraw from Czecho benefits trade-agreement tariff concessions.

Since US and Czecho are CPs to GATT, US proposes that at Sixth Session all of the obligations existing between it and Czecho by virtue of provisions of Agreement shld be formally terminated. This statement is brief explanation of factors involved in US decision.

When in 1947 CPs framed obligations to one another which are contained in GATT, it was assumed polit relations of countries concerned wld be such that it wld be in their mutual interests to promote movement of goods, money, and people between them. It is now apparent that this assumption is no longer valid as between US and Czecho. On contrary, relations between US and Czecho have been progressively impaired by manifestations Czecho ill will toward US. Property Amer nationals in Czecho has been confiscated, without compensation or any serious attempt on part of Czechs to settle matter. Amer firms have been persecuted and harassed to such degree that it is virtually impossible for them to do business with Czecho. Procurement ordinary trade info essential conduct commercial enterprises has been declared crime. US has been forced on extremely short notice drastically reduce personnel its Emb in Prague. Amer citizens have been imprisoned without justification. Amer charitable and welfare orgs have been forced discontinue their work.

Impairment econ relations has been aggravated by progressive integration Czech economy into Soviet bloc. Czecho has openly declared its intention administering its economy solely in interests of bloc. It has granted a special and guaranteed position to Soviet bloc corporations in its economy. It has left no room for doubt that its commitments to US are being subordinated or disregarded in carrying out its undertakings as part of Soviet econ bloc.

US attaches considerable importance maintenance GATT as an instrument through which nations which are in agreement on its broad objectives can work together in econ sphere. US is of view, therefore, that in interests maintaining integrity of GATT in its application to trade among nations with normal relations, existing situation between US and Czecho shld be frankly and unequivocally recognized by CPs and obligations between two countries embodied in Agreement, already rendered a nullity by polit events, shld be formally dissolved. End text.[3]

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[3] This text is printed in the Department of State *Bulletin*, August 20, 1951, p. 290.

4. Note statement does not cover two pts: (*a*) exact timing withdrawal concessions from Czecho and (*b*) exact provision of GATT on basis of which action wld be requested of CPs. For urinfo, our present thinking is that concessions wld not be withdrawn until after Sixth Session and that we wld resort to Art 25. If queried here on (*a*), we will state this is technical issue which is being fitted into broader program of withdrawal trade agreement concessions from all of Soviet bloc pursuant Sec 5 TA Renewal Act.

5. Note also that CPs not being asked make judgment on merits of dispute between US and Czecho, as wld be case if US were asking for waiver its obligations alone. CPs simply being asked recognize abnormality Czecho-US relations and inevitability resultant econ consequences.

6. Above release will be simultaneous with release basic Presidential proclamation which sets basis for withdrawing trade agreement concessions from Soviet bloc pursuant Sec 5.[4]

7. Ottawa, London, Oslo, Brussels, Hague, will be requested communicate proposed action re Czecho to accredited govts before Wed morning, together with statement regret that pressure events had made it impossible to engage advance consultations.[5] Assume you will wish make same disclosure and explanation to Fr Govt on Tues.

ACHESON

[4] This refers to the Presidential Proclamation of August 1.

[5] This was done on July 30, 8 p. m., in Department telegrams 146 to Brussels, 700 to London, 93 to Oslo, 24 to Ottawa, and 150 to The Hague (394.31/7–3051). An information circular was sent on July 31 (No. 94) to 43 diplomatic missions (including the foregoing); HICOG, Frankfurt; SCAP, Tokyo; and the Consulate General at Salisbury, Southern Rhodesia (394.31/7–3151). After an exchange between the Department and the Embassy at Praha, the Department decided on August 8 not to communicate directly with the Czech Government but to send its notification through Wyndham White, the ICITO Executive Secretary.

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394.31/8–151: Telegram

*The Chargé in Norway (Mein) to the Secretary of State*

SECRET

OSLO, August 1, 1951—6 p. m.

125. Ref: No. 93, July 30, 1951.[1] Ref cable was not received in time to inform the FonOff of US action on the 31st. However, FonOff was informed before any info appeared in Nor press.

After reading text of statement, FonOff official remarked that while the statement gave the reasons for the US action it failed to indicate the grounds on which the CPs will be asked to recognize a release of the US obligations to Czecho under GATT. He was certain the US cld obtain the necessary two-thirds vote if our request for dissolution is based on Art CCLV [*XXV 5(A)?*] (A). He regretted, however, the

[1] See footnote 5, *supra*.

need for introducing political argument into GATT discussions since hitherto this had been avoided in GATT.[2]

MEIN

[2] In Oslo on his GATT tour on August 8, Leddy reported in a general round-up of the Norwegian discussions: "Norway views Czech problem as essentially political question and would have to be considered at highest level. At official level they feel strongly we should not act unilaterally in advance of CP waiver. . . . They seemed concerned US basing its case on political grounds and prefer making complaint under Article XXIII." (Oslo telegram 148, August 8, 4 p. m., 394.31/8-851).

Leddy had previously reported from The Hague (August 6) that: "Dutch feel we should get Czech waiver first before acting. They fear US unilateral action in advance would seriously damage integrity GATT and US position leadership. They dislike idea our basing case on political grounds since they argue these matters fall outside GATT purview. They seem prefer we put case strictly on nullification economic benefits due state trading and other measures by Czechs. No matter how we put case CPs, however, they see difficulties in supporting us." (Oslo telegram 141, August 6, 4 p. m., 394.31/8-651)

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394.31/8-651 : Telegram

*The Ambassador in Norway (Bay) to the Secretary of State*[1]

CONFIDENTIAL OSLO, August 6, 1951—4 p. m.

140. Fear French (Lecuyer)[2] may have been left with incorrect impression (see para 7 ourtel from Paris reporting Fr discussions) that US has definitely decided withdraw concessions from Czech before seeking approval CPs sixth session.[3] Whether US will act before or after seeking such approval is still open question and will not be decided until after my return Wash. Please consult Fr as to their views this point, making clear US feels compelled take action against Czechs whether CPs approve or not. Important factor in our decision will be estimate as to whether we can get support Fr and other dels at sixth session for advance waiver and you shld endeavor obtain Fr commitment this point. Reply Washington.[4]

Sent Paris 17, rptd info Dept 140.

BAY

[1] Apparently drafted by John M. Leddy who was in Oslo at this time on his GATT tour.

[2] Ernest Lecuyer, specialist in French foreign economic policy with respect to international organizations with an economic or financial character.

[3] This refers to the Paris Embassy's telegram 684, July 31, 8 p. m., in which Leddy transmitted a report of his discussions with the French. In paragraph 7 Leddy had stated: "Lecuyer said French could at moment only take note of US action. He indicated would have presented difficult problem for French if we had sought CP's waiver in advance our action since saw no basis for waiver." (394.31/7-3151).

[4] The Leddy mission terminated in Oslo on August 8.

394.31/8–1051 : Telegram

*The Consul General at Geneva (Ward) to the Secretary of State*

CONFIDENTIAL GENEVA, August 10, 1951—3 p. m.

129. For Leddy from Weiss.[1] Saw Wyndham White briefly at USDel party. He stated Tauber, Czech Minister Switz and del ECOSOC approached him to inquire what he knew about US action against Czechs. In reply WW handed Tauber copy US statement on matter. In response query whether US action did not constitute violation GATT, WW pointed out US had not yet acted and that US statement was merely presenting problem CP's. Tauber asked under what provision GATT US might take contemplated action against Czecho; WW referred Articles XXIII and XXV as possibilities. He also asked whether WW thought US wld get such support in light Czech actions against US and its nationals. Tauber also inquired whether US was pressuring other countries take same action it was contemplating against Czechs. WW indicated he did not know.

As regards alternative courses action available US against Czechs, WW believes US shld seek CP approval before acting. He also inclined favor use Article XXIII rather than XXV. While he recognizes difficulty making nullification and impairment argument against Czechs in view US export restrictions,[2] he thinks such case might nonetheless be made out. In this connection he used arguments similar those we advanced in our European talks [3] in building up article XXV analogy, namely GATT premised on friendly relations between states and benefits which might be expected from GATT not possible develop without existence such relations. He suggested we might argue our export restrictions were reaction nullification and impairment measures by Czechs. He also suggested we shld check what extent US export restrictions being applied items on which Czechs gave US concessions, it possibly being feasible make effective nullification argument with respect those concession items on which US not applying export restrictions to Czechs. [Weiss.]

WARD

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[1] Leonard Weiss, Assistant Chief, Commercial Policy Staff. Weiss had accompanied Leddy on the tour of five West European capitals and was presently in Geneva to attend the session of the United Nations Economic and Social Council (ECOSOC) then sitting.

[2] For documentation on the United States restrictions on East-West trade, see pp. 993 ff.

[3] This refers to the Leddy GATT tour described in footnote 1, p. 1385.

394.31/8–1151 : Telegram

*The Consul General at Geneva (Ward) to the Secretary of State*

CONFIDENTIAL
PRIORITY

GENEVA, August 11, 1951—4 p. m.

134. For Leddy from Weiss. Had fuller discussion Wyndham White, summarizing for him results our GATT trip. Fol are principal points:

1. Reviewed Czech problem again at great length. While seeming appreciate more fully possible advantages US acting unilaterally before CP's approval. Wyndham White still favors US securing such approval before acting against Czechs. One possible modification this approach suggested by Wyndham White is that while not acting in advance CP consideration US wld come before CP's sixth session announcing it was going take action against Czechs, CP's then not approving or disapproving such US action but merely taking note of it. Though somewhat less certain than in our previous discussion, Wyndham White still inclined favor action under article XXIII rather than article XXV.

Wyndham White stated that in talk with Tauber (mytel 129 from Geneva) latter asked if secretariat cld not work out some kind arrangement settling US–Czech problem. At time Wyndham White replied there appeared no basis for compromise since US determined take action. In light our discussion in which I suggested US wld have no objection Czech being relieved contractual obligations toward US so long as US completely free of any contractual commitments toward Czecho, Wyndham White indicated that he might suggest to Tauber matter cld be settled simply without fuss sixth session if Czecho agreeable complete termination of both sides GATT commitments between US and Czecho. Wyndham White feels he is in position make such suggestion since Tauber explicitly asked him for possible solution problem and he wld make clear suggestion in no way attributable US. Reply immed if you see objection Wyndham White suggestion and wish me put in stopper.[1]

Wyndham White stated Itals (Di Nola) concerned about possible consequences if they should support United States action against Czechoslovakia. They are worried about possible Czech retaliatory actions against Italian assets in Czechoslovakia.

[Here follows discussion of certain matters on the provisional agenda of the impending meeting of the Sixth Session of the Contracting Parties of GATT.]

Sent Dept priority 134, rptd info London 15. [Weiss.]

WARD

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[1] The Department responded in telegram 125, noon, to Geneva, August 14, that it had "No objection Wyndham White inquiring whether Czechs agreeable complete termination US-Czech GATT commitments, provided made clear not US suggestion." (394.31/8–1151).

411.4931/8-1551 : Telegram

*The Ambassador in Czechoslovakia (Briggs) to the Secretary of State*

CONFIDENTIAL PRAHA, August 15, 1951—noon.

122. First official Czech reactions US economic retaliatory measures reed this morning from Vilem Havelka, Centrotex official who in call at Consulate stated fol:

(1) Czech textile exports to US will be severely curtailed as result announced withdrawal tariff concessions. Despite political situation, US buyers have been anxious purchase Czech textiles, especially jacquar-broadcloth, hat velours, etc. Loss of US market for Czech linen goods would be particularly serious.

(2) Centrotex concerned lest inability Emb certify invoices promptly might prevent Czech textiles from reaching US in time for fall trade. In this connection he referred to "inconvenience" to US importers.

BRIGGS

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394.31/8-1651 : Telegram

*The Chargé in France (Bonsal) to the Secretary of State*

SECRET PARIS, August 16, 1951—3 p. m.

1036. Following concerns recent Paris discussions by Dept officers with Fr Govt reps on subject Fr position with respect US action withdraw tariff concessions from Czecho. Embassy subsequently brought matter to attention Charpentier[1] urging Fr support along lines Oslo's 17, August 6 to Paris.[2]

Embassy informed today by FonOff that on basis decision approved by FonMin Schuman,[3] Fr regret they unable support US in this action regardless technique used. They feel that both on legal and tactical grounds, US position ill-advised and maximum they could do would be abstain from vote if taken at meeting of sixth session GATT. They emphasized that Fr Govt, of course, in full agreement with US as to condemnable behavior of Czech Govt which, moreover, had seriously damaged Fr interests.[4]

BONSAL

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[1] Pierre Charpentier, Deputy Director General, Political and Economic Affairs, French Ministry of Foreign Affairs.

[2] See Oslo telegram 140, August 6, 4 p. m., p. 1388.

[3] Robert Schuman, French Minister for Foreign Affairs.

[4] In telegram 1321, August 31, 7 p. m., to Paris, the Department directed the Embassy to approach the French Government again, making points based on paragraphs 1 through 7 of Department's telegram 271 to The Hague, August 31 (see p. 1393). "If Embassy unable persuade French support US position, Secretary will probably raise question with Schuman on the occasion of his visit." (394.31/8-1651). (Schuman was to be in the United States in September.)

394.31/8-2851 : Circular telegram

*The Secretary of State to Certain Diplomatic Missions* [1]

CONFIDENTIAL WASHINGTON, August 28, 1951—8 p. m.

199. Depcirtel 94, July 31, 1951.[2] Re US proposal terminate GATT relations with Czechoslovakia.

1. Request Emb approach Govt to which accredited at high level with view impressing on appropriate officials importance US attaches to successful outcome this issue at Geneva.

2. At same time inform such officials that USDel at Geneva mtg will be headed by Asst Secy Thorp,[3] who will present US case re Czech. Express hope that representation accredited Govt will be at similar level for this issue. Also state US hopeful issue can be disposed of during first ten days of session.

3. Also inform Govt that US has been considering precise form of action which it will propose to CPs and is now considering proposing CP decision under Art XXV (5) (a) along fol lines: [4]

"Considering that the application of the provisions of the GATT between particular pairs of countries may under certain circumstances be impracticable because of the strained state of relations between the two countries;

"Considering that the relations between the US and Czech are such that the application of the provisions of the Agreement between those two Contracting Parties may no longer be practicable; and

"Considering that the Government of the US has requested the Contracting Parties to suspend the application of the Gen Agreement between the US and Czech:

"The Contracting Parties, pursuant to para 5(a) of Art XXV of the Gen Agreement,

"(Alternate A) decide that the operation of the Gen Agreement is suspended between the US and Czech.

"(Alternate B) decide that either the US or Czech may suspend the operation of the Gen Agreement between the two countries with the same effect as if para 1 of Art XXXV of the Gen Agreement had been invoked in accordance with the conditions therein."

4. US also considering whether use word "terminate" in place of "suspend" throughout doc.

5. Note that two alternatives are contained in text above. US will propose alternative which other CPs feel most desirable.

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[1] Sent to 29 missions accredited to government participants in GATT. Repeated to Geneva in telegram 174, August 28, 8 p. m., for the confidential information of the ICITO Executive Secretary, Wyndham White (394.31/8-2851). On August 30 repeated to the Embassy in Czechoslovakia for information only (394.31/8-3051).

[2] See footnote 5, p. 1387.

[3] The Sixth Session of the GATT CP's was to convene in Geneva on September 17. Thorp was Assistant Secretary of State for Economic Affairs.

[4] This decision was based on a paper dated August 24 submitted to the Interdepartmental Committee on Trade Agreements (TAC), not printed (GATT Files, Lot 66 D 209, Box 454, "Position Papers GATT VI").

6. You may wish point out that approach suggested above seeks to avoid judgment on merits of dispute between US and Czech. Moreover, under alternative B, action simply gives US and Czech option of terminating agreement between them, rather than bringing about termination directly.

7. Assume, of course, Emb will modify approach above if necessary to take account previous approach to Govt or special local circumstances.

8. Report gen reaction accredited Govt as well as preferences re alternative proposals above.[5]

ACHESON

[5] Selected documentation on the responses received is printed here. The complete collection is located in file 394.31.

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394.31/8-3151 : Telegram

*The Acting Secretary of State to the Embassy in the Netherlands* [1]

SECRET
PRIORITY

WASHINGTON, August 31, 1951—7 p. m.

271. Kaufmann, Neth Emb,[2] informed Dept today that Dutch, after high level consideration, have decided they will not support US proposal for waiver of GATT obligations toward Czech and that if matter presented at 6th Sess Dutch will abstain. They suggest wld be preferable for US take action withdraw concessions now, thus creating *fait accompli*. Dutch seem think if this done CP's wld not need take action unless Czechs raised issue. This event, however, no indication given that even then wld Dutch support US against Czech charges violation.

Kaufmann indicated main consideration motivating Dutch refusal go along with US is fear their support US action wld imply they shld take similar action which they not prepared do.

Failure obtain positive Dutch vote in support our proposal will seriously weaken chances US obtain necessary majority, which requires at least 16 countries assuming Czech only CP to vote against. Accordingly, you shld approach FonOff at highest level and make fol points:

1. US deeply disturbed and disappointed at news Dutch feel they unable support US proposal for waiving GATT obligations between US and Czech pursuant Art XXV. Neth position wld undoubtedly also influence other CP's.

2. US strongly feels it has unimpeachable moral position in holding it shld not be forced continue friendly trade treatment to country

[1] Repeated to London as 1288, Oslo as 191, Brussels as 282, Ottawa as 50, Canberra as 54, and Paris as 1322.
[2] J. Kaufmann, Commercial Secretary.

which has so flagrantly violated very principles of internatl law on which GATT rests by outrageous treatment meted out to US natls, trade, Emb personnel, property and econ interests in Czech.

3. US recognizes it is technically bound by ltr of GATT to continue normal econ relations with Czech, failing dubious resort to security exception. Only clear-cut exception to this, completely free of legal doubt or equivocation, wld be by consent of CP's pursuant to Art XXV. If, despite Czech treatment of US discussed above, CP's shld nevertheless refuse release US these obligations in legal way clearly open to them, this cld only be regarded in US as travesty of justice. Workability of GATT structure, adaptability to changing circumstances, and essential fairness of attitude of CP's wld inevitably be brought into question.

4. Proposed severance of obligations between US and Czech does not in any way imply Neth or any other CP must take same action vis-à-vis Czech as US and proposed waiver wld apply only as between US and Czech. Fact is Czech, as tool of Sov Union, has singled out US as main target for hostile actions and has applied especially severe pressure against US as compared other countries free world. You shld inform Dutch neither Can nor Nor, both of which have indicated tentative support US position, believe such support wld require them follow similar course action.

5. Dutch proposal that US create *fait accompli* by concrete action prior 6th sess presupposes US entirely in wrong on this question. This US completely unable accept. As stated above, our case based on solid ground of moral principle which underlies whole concept of GATT and rest of body of internatl law. If US acted first, without being willing submit matter to CP's in advance, this wld run risk being interpreted as implying some doubt as to soundness US position. Moreover, resulting technical departure from ltr of GATT wld certainly be used by Sov Bloc as powerful propaganda weapon designed undermine integrity of West and failure live up to internatl commitments. US has consulted number NATO countries as to right course of action this problem, hoping to act in conformity with gen opinion. Countries consulted were, in addition Neth, UK, Fr, Can, Belg and Nor. With exception Neth and Fr, all countries stated view most emphatically that advance action shld not be taken and that US shld seek waiver first. Also, with exception Neth and Fr, all indicated tentative support US position.

6. US wld hope present matter in GATT in such way as avoid implication CP's are attempting discuss or vote on merits polit dispute between US and Czecho. Basis for action supporting waiver proposal wld be that, irrespective of merits, gravity of dispute is so great fulfillment trade commitments impossible and they shld therefore be dissolved.

7. View foregoing, US sincerely hopes Neth will change position and see way clear support US proposal for waiver pursuant Art XXV.

8. US also urging Fr Govt reconsider position. If necessary, this likely be subj discussion between Secy and Schuman.

WEBB

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394.31/9–351 : Telegram

*The Ambassador in France (Bruce) to the Secretary of State*

SECRET PARIS, September 3, 1951—5 p. m.

1416. Deptel 1321, Aug 31.[1] Bonsal today had discussion with Charpentier along lines Deptel 271, Aug 31 to The Hague, rptd Paris 1322 and strongly urged French support for US proposal in terminating GATT obligations Czecho. Summary *aide-mémoire* left with Charpentier.

Charpentier agreed reconsider matter and let us know promptly. He pointed out, however, that French object to proposal on both practical and tech grounds. He mentioned large Czech debt to France, French citizens jailed by Czechs, wagons lits and other disputes and indicated French unwilling take any action liable to aggravate these difficulties and increase French losses. He added that if French support US proposal there wld be very little argument against French taking same action vis-à-vis Czechs. We emphasized that we thought Czechs had singled out US as main target, that we did not ask anyone else to take action we proposed, but that we wld of course not object to, but wld support similar French action. Charpentier feels French econ and polit relations with Czechs in very critical state.

Technically French question whether Articles XXV or XXXV were ever intended to be used as proposed by US altho they admit language apparently permits considerable latitude. They wld prefer a solution not involving "forcing the issue" in GATT, but have as yet no specific suggestion.

In short, French evidently convinced they wld be helping US to their own detriment, and they cling to theory that GATT agreement shld stand or fall on question fulfillment its own clauses rather than on any collateral matter, no matter how important.

BRUCE

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[1] See footnote 4, p. 1391.

394.31/9-1551 : Telegram

*The Ambassador in Norway (Bay) to the Secretary of State*

CONFIDENTIAL Oslo, September 5, 1951—6 p. m.

240. Ref Depeirtel 199, August 28, Embtel 226, August 27.[1] Melander[2] reports informally that Norway will support US proposal terminate GATT relations with Czech. He definitely agrees US position morally justifiable and has implied support from Scandinavian bloc assured on these grounds. Reports Nor and other Scan CP's have little concern over technique applied and hence stated cld not comment on advisability alternates A or B or use of words "terminate" or "suspend". Recommends working out technical approach informally with CP's at Geneva. Feels if this done support of practically all Western Eur and most other CP's practically certain. He is optimistic re proposal's success and has implied that as chairman he wld try to get proposal through as quickly and smoothly as possible. He is emphatically against *fait accompli* approach as detrimental and unnecessary.

[Here follows discussion of another matter.]

Bay

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[1] Not printed.

[2] John Melander, Director of the Politico-Commercial Department, Norwegian Ministry of Foreign Affairs. Melander had been Chairman of the Special Session of the Contracting Parties of GATT that met at Torquay, March 29–April 3, 1951.

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394.31/9-551 : Telegram

*The Ambassador in Italy (Dunn) to the Secretary of State*

CONFIDENTIAL Rome, September 5, 1951—8 p. m.

1094. Re: Depeirtel 199, August 28. Preliminary approach made to FonOff along lines reftel and following reaction obtained. Govt has not made final decision as to its vote on US proposal but at moment inclined toward abstention. Stated that both from political and economic point of view Italy had little to gain and considerable to lose. Could not agree our contention that vote with US did not mean siding with US on political dispute and that US action not reprisal for imprisonment Oatis. Further informed us confidentially that inquiry has recently been made by Ital reps in other interested western European countries re their attitude, with results indicating general objections to US proposal, including UK, France and Benelux. Further answers being awaited. Also Emb, Wash queried to ascertain whether US intends withdraw concessions initially negotiated Czecho from other CP's.

During lengthy discussion FonOff official took occasion mention (1) recent US action affecting Ital cheese exports, (2) possible US establishment quantitative restrictions imports almonds, and (3) effect on Ital hat industry of increase US tariff on felt hats. Although FonOff insisted political considerations dominant their thinking we obtained impression some action by US favoring Italy on one above points might influence position.[1]

FonOff agreed give further consideration question taking account discussion and importance we attach successful outcome, and meet with us again end of week. We feel Itals will probably go along with position taken by UK and France but would prefer abstain from voting on issue. Emb would appreciate prompt indication position UK and France as result approaches there.

Will report after next meeting. Informed Ital del will be headed by Di Nola ECE rep and that official higher level not available.

DUNN

[1] For documentation regarding these matters, see pp. 1522 ff.

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394.31/9-651 : Telegram

*The Ambassador in Italy (Dunn) to the Secretary of State*

CONFIDENTIAL ROME, September 6, 1951—1 p. m.

1108. Re Embtel 1094, September 5. Discussion arranged with Grazzi [1] for Friday morning on termination US GATT relations with Czechoslovakia. Telephone conversation today indicates discussion will be fruitless unless we can give satisfactory answer to question whether US would keep in effect with other countries concessions originally negotiated with Czechoslovakia, e.g. in Italy's case glassware. Please instruct immediately on this point.

Also appears Grazzi will ask whether termination relations with Czechoslovakia would facilitate reinstatement tariff concessions on felt hats. Dept's comments this point helpful. Also any encouragement re cheese and almonds.[2]

DUNN

[1] Umberto Grazzi, Director General, Economic Affairs, Italian Ministry of Foreign Affairs.

[2] Regarding the matters mentioned herein, see pp. 1522 ff.

394.31/9–651 : Telegram

*The Chargé in the United Kingdom (Holmes) to the Secretary of State*

CONFIDENTIAL LONDON, September 6, 1951—3 p. m.

NIACT

1248. Depcirtel 199, Aug 28, and Embtel 1170, Aug 31.[1] Brit views re termination GATT relations Czechoslovakia not recd until today.[2] Views are firm at official level but have not been approved at ministerial level, due absence Hartley Shawcross,[3] who will lead Brit del.

Brit agree Art XXV would be most appropriate article under which to act. On grounds more acceptable CP's, however, they prefer general principle of alternative B but feel precise phrasing any waiver should be settled at later stage. Also believe it highly important US position should be kept flexible and no firm decision taken re details presentation to CP's until after thorough canvassing other dels at Geneva. Brit del will cooperate fully with USDel at Geneva in canvassing other dels and will support action finally decided upon provided reasonable assurance that it will be successful.

Brit strongly urge therefore that no official discussion this topic be scheduled until second week of session at earliest. Brit obviously feel very doubtful about chances securing favorable vote on resolution under Art XXV but state they have not had opportunity exchange views other countries. However both Fr and Neth have requested Brit views which FonOff desires transmit very soon. At EmbOff's request FonOff will not respond Fr and Neth requests until next Mon. Emb would appreciate Dept's comments to reach us Mon morning at latest. Unless results canvass initiated by Depcirtel 199 sufficiently favorable to justify taking firm decision now re text resolution and details of presentation Geneva, Emb recommends Dept accept Brit suggestions. If outcome doubtful, Brit del influence appears decisive especially in view fact Hartley Shawcross, who is very able negotiator, will attend. FonOff very definite in opinion he wld be unwilling give commitment to support any detailed US proposal until he had talked with other heads of del at Geneva, especially those of Commonwealth and SE Asia.

Brit also suggested preamble to resolution shld be based upon incompatability Czech policy, both in trade matters and in re general treatment foreign nationals and interest Min Czechoslovakia with ob-

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[1] London telegram 1170, August 31, 4 p.m., not printed. (394.31/8–3151)

[2] In its despatch 1235, September 6, the London Embassy informed the Department that the contents of this telegram (No. 1248) were based on an *aide-mémoire* received from the Foreign Office on September 6 and on oral discussion with Eric Berthoud, Assistant Under-Secretary in the Foreign Office, Peter Mennell of the Economic Relations staff at the Foreign Office, and John Leckie, Under-Secretary at the Board of Trade. (394.31/9–651)

[3] Sir Hartley William Shawcross, President of the Board of Trade.

jectives GATT, rather than on strained state relations between US and Czechoslovakia and stated they were considering whether, if there proves to be sufficient body of opinion in Geneva in favor of waiver in one form or another, it wld not be desirable for waiver in more gen terms permitting any contracting party to terminate by declaration its obligations toward Czechoslovakia under GATT. Brit Govt have no preference as between "termination" or "suspension" of obligations but would not like to see suspension of limited duration which would compel CP's reconsider matter at future session. Fear also expressed that proposed US resolution as presently drafted left way open for other CP's to attempt to make case for strained relations with CP other than Czechs for purpose avoiding onerous obligations. Brit therefore very much interested in strongest possible preamble.

Re putting case on more general grounds. EmbOff observed this might weaken rather than strengthen position in view fact Czechoslovak relationships with no other CP were as bad as with the US. Suggestion may have some merit nevertheless if framed in way which will permit full exposition Czech actions re US as illustrative rather than unique. Other CP's could thus use waiver if relations with Czech deteriorated to same extent US-Czech relations.

Sent Dept 1248, rptd info Geneva unn for USDel GATT.[4]

HOLMES

[4] An advance party of the United States Delegation to the Sixth Session of the Contracting Parties to GATT had arrived in Geneva. See footnote 1, p. 1410.

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394.31/9-651 : Telegram

*The Acting Secretary of State to the Embassy in the United Kingdom*

CONFIDENTIAL WASHINGTON, September 6, 1951—7 p. m.

1373. Urtel 1248 Sep 6.

1. Agree need for full consultation other Dels Geneva before official discussion at GATT plenary session; however wld hope such consultation not take full two weeks. Thorp [1] can stay only two weeks and FonOff will appreciate desirability settlement before he leaves.

2. Answers Depcirtel 199 tentatively show approx 14 favorable votes (including UK) for US action. Melander states Nor will definitely support and implies support Denmark and Swed as well. Is optimistic re success and implies that as chmn he will do best get proposal through. List of 14 excludes possible additional favorable votes of Australia, New Zealand, Sou Afr, Fr, Neth, Belg, Lux, Ital, Sou Rhodesia. Since 16 votes needed, only necessary obtain 2 votes immediately foregoing list. Dept will probably approach Fr, Ital, Neth at highest level this purpose and wld appreciate similar approach by

[1] Assistant Secretary of State Thorp was to head the United States Delegation.

Brit. Fr vote obviously critical. Australia, New Zealand unsure but impression is they will eventually vote our favor. Obviously, impossible obtain Commonwealth support without UK vote. Consider Burma, Ceylon, Finland, India, Indonesia, probably will abstain, most unlikely vote for.

3. US position not inflexible re details text reso. However, US discussions other countries, esp. smaller countries W Eur indicate that proposal for gen waiver, implying similar action by all or several CP's wld meet much greater resistance than bilateral waiver. Our estimate is that if we put forward gen waiver we might lose at least 9 potential votes (Belg, Can, Denmark, Fr, Ital, Lux, Neth, Nor, Swed). Nevertheless, bilat waiver of UK-Czech relations cld be considered if this is what UK wants.

WEBB

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394.31/9-651 : Telegram

*The Acting Secretary of State to the Embassy in Italy*

CONFIDENTIAL WASHINGTON, September 6, 1951—7 p. m.

PRIORITY

1103. Ur 1108 and 1094.[1] US does not intend withdraw from Italy or others any concessions initially negotiated with Czecho in withdrawing benefits trade-agreement concessions from Czecho. So informed Ital Emb here today.

Re felt hats,[2] US keeping position under continuous review per working party report. Fact that Czecho wld not benefit from concession if reinstated will be taken into consideration in this review.

Re cheese, repeal Section 104 being sought. Meanwhile possibility excluding sheep's milk cheese from quota still under consideration. Re almonds, Section 22 investigation at hearing stage. No certainty any action.[3]

Our latest info leads us believe UK will support waiver. Fr, Ben no final decision.

Proposed severance of obligations US and Czecho does not imply any CP siding with US. Fact is Czecho has singled out US as main target for hostile actions and has applied especially severe pressure against US as compared other countries free world. You shld inform Itals neither Norway nor Can both of which have indicated tentative support US position, believe such support wld require them follow similar course. Basis for action supporting waiver proposal as US will

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[1] Dated September 6 and 5, pp. 1397 and 1396, respectively.

[2] For documentation on this subject, see pp. 1522 ff.

[3] For documentation on matters mentioned in this paragraph, see pp. 1424 ff.

present matter in GATT will be that irrespective of merits gravity of dispute is so great fulfillment trade commitments between US and Czecho impossible and they shld therefore be dissolved.

WEBB

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394.31/9-651 : Telegram

*The Ambassador in Italy (Dunn) to the Secretary of State*

CONFIDENTIAL ROME, September 6, 1951—8 p. m.

1118. Re Embtel 1108.[1] FonOff memo dated September 4 [2] re felt hats and hat bodies makes following points:

1. Measure effective December 1, 1950 invoking escape clause on felt hats and bodies originally intended to damage Czecho trade, but has actually harmed Western countries, incl Italy.

2. Compensations given Italy by US at Torquay insufficient to offset damage to Ital hat industry which now in serious crisis with shutdown and dismissals imminent.

3. US importers also seriously affected and have protested to Tariff Comm.

4. GATT working group studying Czecho protest on US action under Art XIX (GATT/CP/106, March 27, 1951) stressed such action should be of temporary duration and subject subsequent reconsideration in light market conditions with view restoring concessions.

5. Since imports Czech hats and bodies now eliminated and will not reappear on US market. Italy would like know whether US intends reconsider measures.

See Toeca A-529, Feb 23 re damage to Ital hat industry.[2]

Translation of Ital memo follows by desp.[2]

DUNN

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[1] Dated September 6, p. 1397.
[2] Not printed.

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394.31/9-651 : Telegram

*The Chargé in France (Bonsal) to the Secretary of State*

SECRET PARIS, September 6, 1951—8 p. m.

1491. Embtel 1416, Sept 3. Charpentier informed me today FonOff after further consideration regrets unable support our proposal on terminating US GATT obligations to Czechs, for reasons described as juridicial and of treaty interpretation.

FonOff advising Schuman San Francisco that matter may be raised by Secy and is giving Schuman full briefing, including statement our position.[1]

Sent Dept 1491, London unn, The Hague unn, Geneva unn.

BONSAL

[1] The San Francisco Conference for the signing of the Peace Treaty with Japan had convened on September 4. A briefing paper prepared for the Secretary of State by the Bureau of Economic Affairs on August 24 is not printed. Its recital of the background and the problem, with the Department's recommendations, contained no new elements. The paper named 17 countries who were to be at San Francisco who were Contracting Parties to GATT, and 4 countries who were to accede to GATT shortly. (Memorandum by the Deputy Assistant Secretary of State for Economic Affairs (Linder), to the Secretary of State, August 24, 394.31/8-2451)

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394.31/9-1051 : Telegram

*The Chargé in the United Kingdom (Holmes) to the Secretary of State*

CONFIDENTIAL LONDON, September 10, 1951—6 p. m.

PRIORITY

1302. Embtel 1248 Sept 6 and Deptel 1373, Sept 6. Embassy officer had long luncheon discussion today with Leckie and Burgess re Czech GATT problem but was unable obtain completely firm commitment Brit would support US at Geneva. Hartley Shawcross will not return London before going Geneva and Emb does not believe Brit views can be finalized until other members Brit del report to Shawcross in detail re views other countries.

Leckie stated, however, that Brit reps will take favorable line with Commonwealth countries, and will not in any event permit firming up any solid Commonwealth front against US proposal before arrival Geneva. Also agreed take favorable though indecisive line with Dutch and Fr. Burgess mentioned Dutch attitude as being most difficult and he appears to be personally very reluctant support US stating, "after all US wld have recognized its GATT obligations even if obliged to withdraw concessions after failing convince other CP's at Geneva." After Leckie departure, however, he made personal prediction UK and "White Commonwealth" wld support US. Only specific reference to attitude Commonwealth countries was statement BOT had received strong indication Canada was opposed.

Re timetable at Geneva Leckie agreed no reason to delay after all dels canvassed if outcome clearly favorable and mentioned desirability having matter disposed of while both Shawcross and Thorp were present. (Shawcross plans remain only through Fri first week.) Neither he nor Burgess, however, wld consider position "favorable" if no more than sixteen CP's prepared vote affirmatively, as this wld

mean large number abstentions. Re procedure they assumed we intended present matter at plenary and call for immediate vote without appointing WP or other subsidiary body.

Emb believes desirable Dept send additional info re status approaches other countries to reach London Thurs or Fri to provide opportunity last minute review with Leckie and other members Brit del immediately prior their departure. Some reps on Commonwealth dels expected London later this week and Leckie promised advise EmbOff re any significant indications recd from other countries re their attitude. He also stated wld be very helpful if Brit del knew before departure what US expectations were re each CP as subject likely come up with other dels immediately upon arrival Geneva, possibly prior opportunity have thorough discussion with US del.

HOLMES

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394.31/9–1051 : Telegram

*The Ambassador in Italy (Dunn) to the Secretary of State*

CONFIDENTIAL ROME, September 10, 1951—7 p. m.

1158. ReDeptel 1103, Sept 6. Discussion held this morning (postponed from Sept 7) with Grazzi, DirGen Econ Affairs, FonOff, on proposed US suspension of GATT relations with Czecho. Some slight progress achieved, with aid of material reftel. At start of discussion Grazzi said Italy cld not support US proposal but wld abstain. At conclusion he said Italy wld reserve its decision until question comes up at Geneva and in meantime wld consider all aspects of question and watch positions adopted by other Western European countries.

Emb rep explained US viewpoint along lines Dept's 1103 and cirtels 199 and 94.[1] Most helpful point was US intention not to withdraw from Italy or other concessions negotiated with Czecho. Favorable outlook for UK support also made distinct impression. Reservation of decision by Benelux countries was helpful, though in case of France FonOff had possibly later information Fr Govt wld not support US proposal. Dept's comments on hats, cheese, and almonds were helpful. Emb rep also pointed out possibilities for Italy's increasing exports to US in certain lines, partially replacing Czech trade.

Altho FonOff of course realizes supporting US wld not require Italy follow similar course, its major concern is that affirmative support of US proposal wld be taken by Czecho as unfriendly polit act and wld probably lead to some Czech retaliation. Italy concerned not only for GATT relations and trade with Czecho, but also for substantial number Ital residents Czecho and sizeable Ital insurance and other fin activities Czecho. Hence FonOff's marked preoccupation with posi-

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[1] Circular telegram 199, dated August 28, p. 1392; regarding circular telegram 94, dated July 31, see footnote 5, p. 1387.

tions to be taken by other Western European countries. If UK, Benelux countries, and especially France shld all support US position, Italy wld certainly also support it. They think retaliation most feared if Italy shld be one of limited number European countries supporting US.

Way left open for further discussions up to middle Oct. (FonOff thought Czech question wld come up late in session at Geneva.) Dept please furnish continuing info on attitude other Western European countries, together with comments where appropriate.

FonOff very little interested in formal aspects US proposal (Depcirtel 199), but slightly prefers "suspended" instead of "terminating".

On informal, personal basis working level official afterwards asked why US had chosen action under Article XXV where two thirds and majority of those present are required, instead of Article XXI where US cld act unilaterally, or Article XXIII, where although procedures are slow simple majority wld suffice. While these alternatives may be entirely inappropriate, they wld make Italy's position easier.

DUNN

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394.31/9-551

*Memorandum by the Assistant Secretary of State for Economic Affairs (Thorp) to the Secretary of State*

SECRET [WASHINGTON,] September 11, 1951.

Subject: Discussion with Schuman regarding Czechoslovak item on agenda for General Agreement on Tariffs and Trade Meeting

I understand that there is some question as to whether this item should be raised with Schuman.[1]

Since the briefing memorandum was prepared for your consideration (Tab A),[2] there have been further developments which indicate even more conclusively the necessity for raising this matter with Schuman. We must obtain sixteen votes and are assured of only nine. Representations in Paris indicate clearly that the present French decision not to support us is firm and can only be reversed by Schuman. A vote against us by the French or their abstention on this critical issue will undoubtedly affect the attitude of other European countries, most of which are still undecided whether to abstain or vote for the waiver.

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[1] Apparently no discussion on this matter occurred between the Secretary of State and Foreign Minister Schuman in the San Francisco setting.

[2] This refers to a position paper on the Czechoslovak matter which was prepared for the Secretary's information for the tripartite ministerial conference scheduled to meet in Washington on September 12, Doc. WFM T-17, dated August 27, 1951, not printed (394.31/9-551).

If we should not get the sixteen votes, it would be a sharp victory for the Soviet bloc. We are bound by Congressional mandate to withdraw agreement benefits from Czechoslovakia. If we do not get approval of the Contracting Parties, we shall have to act in violation of our international commitments.

I most strongly urge that you raise this problem with Mr. Schuman.

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394.31/9–1151

*Memorandum by the Assistant Secretary of State for Economic Affairs (Thorp) to the Secretary of State*

SECRET [WASHINGTON,] September 11, 1951

Subject: Need to Persuade France to Support our Proposed Waiver of GATT Obligations to Czechoslovakia

Recently we sent you a paper regarding the need to obtain French support at the forthcoming GATT session for our request for the dissolution of obligations between the United States and Czechoslovakia under the General Agreement.[1] It is understood that you wished to be briefed further on the arguments you may have to meet.

The French have made a decision at a fairly high level that they will not support our request for the following principal reasons:

1. French interests in Czechoslovakia are likely to be jeopardized. Czechoslovakia owes France a large debt, French citizens have been jailed, rolling stock taken. They fear reprisals.
2. France questions the particular procedure we have chosen but has no alternative to suggest. France feels that decisions under the GATT, such as our proposal for a waiver, should be taken on the basis of whether a country has adhered to the GATT's provisions, not on any collateral issue such as our political dispute.

In reply to these arguments and in support of our position you may wish to point out the following to Mr. Schuman:

1. The waiver we are seeking from the Contracting Parties would provide for a dissolution of obligations both for the United States and Czechoslovakia. It would be a reciprocal, not a one-sided, termination or suspension of commitments.
2. The proposed waiver has been drawn and will be presented in such a way as to avoid the necessity on the part of countries voting for it to rule on the merits of the issues as between Czechoslovakia and the United States. Voting for the proposed waiver would simply recognize that the state of relations between the two countries is such as to make impossible the continuance of the obligations between them.
3. As regards the second point of the French, we agree that decisions under the GATT should be taken on the basis of adherence to the provisions of the Agreement and not on the basis of collateral

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[1] See footnote 2, *supra*.

political issues. The difficulty in this instance, however, is that the gravity of the political issues between the United States and Czechoslovakia is such as to make an economic agreement between them meaningless. In the circumstances the only sensible solution is to terminate or suspend the Agreement between ourselves and the Czechs.

4. It will be difficult for our people to understand why France cannot support a proposal which simply amounts to a dissolution of a contract between the United States and Czechoslovakia, particularly when France is not being asked to take a position on the merits of the dispute. American people and American interests have taken sufficient abuse from Czechoslovakia that they will consider themselves entitled to the support of other friendly nations in breaking off an economic contract.

While the British have given greater indications of support for our position, they have as yet not definitely committed themselves to vote in favor of the waiver. It would be helpful if you could express your satisfaction to Mr. Morrison for such favorable indications of support as have thus far been forthcoming from his government, emphasize that the support of his government is essential in obtaining a favorable decision from the Contracting Parties on the matter, and suggest that we would appreciate their active assistance in obtaining the earliest possible approval of the waiver from the Contracting Parties.

To: The Secretary
From: H. F. Linder [2]

Possibly the strangest [*strongest?*] argument in support of our position is that, irrespective of how the matter now comes out of GATT, we are under a legislative mandate to terminate our tariff concessions to the Czechs. Thus, if the GATT conference fails to approve bi-lateral termination, and we act, the Czechs will in all probability appeal to the GATT. In that event, our friends will be in the more embarrassing position of having to pass judgment on action which we shall have perforce taken unilaterally—with all the public relations implications.

[2] The Deputy Assistant Secretary of State for Economic Affairs.

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394.31/8–3151 : Telegram

*The Secretary of State to the Legation in Luxembourg*

CONFIDENTIAL WASHINGTON, September 11, 1951—8 p. m.

31. 1. US attaches great importance Luxembourg support Czech waiver discussed Depcirtel 199. Failure obtain positive Lux vote as predicted Embdesp 22 [1] imperils chances US obtain neces majority which requires at least 16 countries to vote in favor US proposal. On basis present count, US has no more than 14 reasonably dependable

[1] Luxembourg despatch 22, August 31, not printed.

votes. Secretary expected discuss matter with Schuman. Other high-level approaches in progress. Asst Sec Thorp going to Geneva for express purpose handling this issue. Request you approach FonOff highest level making fol points:

2. US deeply disturbed Lux feeling their relations with Czecho prejudiced by support of waiver. Believe this indicates incomplete understanding proposed presentation US case.

3. Fact is Czecho has singled out US as main target for hostile actions and applied especially severe pressure against US as compared other countries free world. In circumstances, no real means communication exists between US and Czech govts. Accordingly, basis on which to conduct mutually advantageous econom relations has been destroyed and possibility of adherence to GATT provisions by either party no longer exists. Hence we seek dissolution obligations as only solution our dilemma and means of putting end to strained interpretations of GATT which weaken its structure to ultimate disadvantage all parties.

4. However US intends present matter in GATT in such way as avoid implication CP's attempting discuss or vote on merits polit dispute between US and Czecho. Vote wld not be on pol issue since basis for action requested wld be that, irrespective of merits, gravity of dispute is so great that fulfillment trade commitments impossible and they shld therefore be dissolved. Vote wld simply recognize existence of situation prejudicial GATT future without placing blame on either party.

5. Note proposed waiver text shows we ask nothing more than what Czechs wld get, since waiver wld operate reciprocally.

6. Lux shld consider possible serious consequences voting with Czechs and realize they likely to be alone that position. Lux shld also consider whether abstention called for in view nature US request.[2]

ACHESON

[2] On September 14 the Legation reported the Luxembourg response: Although Luxembourg believed the United States position "in reality" to be political despite economic considerations, Luxembourg position "would in any case parallel Belgian and agree instruct Luxembourg Minister in Brussels to indicate Luxembourg sympathy for US position." (394.31/9–1451).

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394.31/9–1251: Telegram

*The Secretary of State to Certain Diplomatic and Consular Offices*[1]

CONFIDENTIAL WASHINGTON, September 12, 1951—10 p. m.

253. 1. Following is roundup status approaches re Czech waiver. Depcirtel 199. (*a*) Have definite assurance support fol nine CPs: Braz, Can, Chile, Cuba, Greece, Haiti, Nic, Nor, US. Two acceding countries

[1] Sent to 28 missions and 2 consulates general.

will vote favorably if eligible do so by time vote taken, namely Ger (CP on Oct 1) and Peru (CP on Oct 7). (*b*) Expect Burma, India, Pak, Ceylon, Indo, Fin will abstain but have received no reactions govts this group. (*c*) From fourteen fol remaining CPs exclusive Czecho therefore need assurance six more votes: Austral, Dom Rep, Lib, NZ, UK, Belg, Den, Fr, Italy, Lux, Neth, So Rhod, So Afr, Swed. Consider first five likely, leaving at least one more to secure.

2. Missions group (C) countries requested unless objection perceived again endeavor obtain assurance support. Missions both group (B) and (C) requested report views FonOffs on position to be taken Geneva, repeating all replies to Geneva for GATT del. Eur missions shld keep in touch re any favorable developments which might help swing other doubtful votes.

3. Believe most important facts stress approaches group (C) countries are: (1) US does not intend withdraw from other CPs any concessions initially negotiated with Czech as appears other CPs have substantial interest in all such concessions. (2) Support US waiver wld recognize that grave strain in US-Czech relations makes genuine fulfillment GATT obligations mutually impossible and obligations shld therefore be reciprocally dissolved in interest preserving respect for internatl obligations and more specifically to prevent resulting weakening of GATT. CPs will not be asked to assess blame or take sides but only to take action appropriate to existing state of US-Czech relations. (3) If fear of Czech reprisals expressed or implied you may say people of US feel strongly entitled terminate obligations in face Czech attitudes and wld find it incomprehensible that friendly countries wld refuse to allow dissolution of contract, especially since they not being asked to take sides in pol dispute.

ACHESON

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394.31/9–1351 : Telegram

*The Secretary of State to the Embassy in Italy*

CONFIDENTIAL WASHINGTON, September 13, 1951—7 p. m.

1213. Urtel 1158.[1]

1. See Para 3(2) and (3) Depcirtel Sept 12 re Ital fear Czech reprisals and status approaches other Govts.

2. US chose Art XXV in preference XXIII as making unnecessary CPs discuss merits US and Czech action, thus relieving other CPs necessity taking sides or taking parallel action as wd be neces if we proved cases Czech nullification and impairment. Uncertain also whether CPs wd agree complete nullification by Czecho exists with result difficult obtain authorization terminate all our obligations

[1] Dated September 10, p. 1403.

Czecho. XXIII wd also involve making case against state-trading operations which might be interpreted as attack on state trading as such and hence antagonize other CPs.

3. Unwilling use Art XXI as bad precedent opening way to unlimited use that Art for actions having far less relation to security than Czech case.

ACHESON

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394.31/9–1451 : Telegram

*The Chargé in the United Kingdom (Holmes) to the Secretary of State*

CONFIDENTIAL
PRIORITY

LONDON, September 14, 1951—5 p. m.

1369. Depcirtel 253, Sept 12. Altho still expressing regret that action required, Leckie states now virtual certainty UK del will support US res re Czecho. Expressed personal opinion all Commonwealth dels except India, Pakistan, Ceylon wld follow Brit lead. Altho he stated neither Southern Rhodesian or South African dels expressed positive favorable views during discussions London this week, they did not indicate any opposition. He described Netherlands as "very doubtful" with possibility Dutch del wld arrive Geneva with instructions which wld preclude any hope persuading them to request change from Hague. France he described as taking very legalistic position but he did not venture an opinion as to final Fr position.

With indicated Commonwealth support favorable vote wld appear certain and Emb now believes Brit del can be relied upon to join with US del at Geneva in attempting secure largest possible majority. Brit del will still wish discuss possibility using gen waiver after arrival Geneva but it is believed unlikely they will desire press this point. They consider it is easiest to argue that Czecho has moved so far away from GATT principles as to provide basis waiver by any other member but they also now understand disadvantage this approach to many govts which do not desire annul concessions granted Czecho but wld be under varying degrees domestic pressure to do so if way legally cleared by gen waiver at Geneva.

Leckie mentioned Brit del and Hartley Shawcross personally very pleased at prospect opportunity have gen exchange views with Thorp and he expressed hope Thorp wld have time for extensive informal discussion with Pres BOT. Desire smooth way for these discussions other points may have influenced BOT indicate advance agreement re Czech resolution.

Sent Dept 1369, rptd info Geneva 21 (for USDel GATT).

HOLMES

394.31/9-1451 : Telegram

*The Ambassador in Belgium (Murphy) to the Secretary of State*

CONFIDENTIAL BRUSSELS, September 14, 1951—7 p. m.

359. Re Depcirtel 253, September 12. Discussed Belg position re US proposal GATT conf on Czech waiver with FonOff. Pol opinion not yet reached. Legal opinion US proposal strains interpretation Art 25 but not enough for Belg to take initiative in objection. Belg sympathetically inclined in principle and if interpretation Art 25 accepted by several principal CP's, Belg expected to support US position.

Emb interpretation foregoing comments is that Belg can be virtually counted upon for favorable vote if UK, Fr, Neth agree. Since Lux vote certain to agree with Belgs, recommend effort to have vote taken while Lux del is present.

Sent Dept 359, rptd info Paris 82, Geneva for USDel GATT Conf 4.

MURPHY

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394.31/9-1751 : Telegram

*The United States (GATT) Delegation to the Secretary of State*[1]

CONFIDENTIAL GENEVA, September 17, 1951—8 p. m.

Tagg 7. At plenary GATT session today[2] Czech delegate reserved right place two additional items on agenda if diplomatic representations in Wash do not bring satisfactory replies. First complaint related to general US action in refusing all export licenses for export to Czech. Second item refers to refusal of specific export licenses for Czech goods sent to US and rejected by US customers. Czech seek to have these goods returned to Czech. Claim some of these latter goods not permitted be re-exported.

Pls send soonest available background and what steps will be taken.

Sent Dept Tagg 7, rptd info Praha 1.

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[1] For the composition of the U.S. Delegation to the Sixth Session of the Contracting Parties of the General Agreement on Tariffs and Trade which convened at Geneva on September 17, 1951, see Department of State *Bulletin*, October 1, 1951, p. 553. The Delegation Chairman was Willard L. Thorp, Assistant Secretary of State for Economic Affairs, and the Vice Chairman was John M. Leddy, Acting Director, Office of Economic Defense and Trade Policy. Files of the U.S. Delegation are in the GATT Files, Lot 63 D 134, Box 268 (FRC Accession 65A987) and Lot 66 D 209, Box 454 (FRC Accession 71A6682).

[2] The Summary Records of the Sixth Session are in GATT Files, Lot 63 D 134, Box 268. There were 27 plenary meetings, September 17–October 27, 1951.

394.31/9-1751: Telegram

*The Acting Secretary of State to the United States (GATT) Delegation at Geneva*

SECRET WASHINGTON, September 18, 1951—6 p. m.

Gatt 13. Tagg 7 Sept 17. Re exports Czech Commerce temporarily suspended effective September 5 all outstanding export licenses to Czech and has called them in for review. New applications being ret without action with notation they may be resubmitted if desired in 90 days. No general public announcement has been made. Action taken without fanfare here as part general tactics in Oatis case [1] not show direct and overt relationship between Oatis case and economic sanctions. When queried reasons *de facto* export embargo should respond as follows:

"Combination circumstances has made suspension issuance export licenses unfortunately necessary. Czech has severely restricted size and activities US staff Czech. On this small staff has fallen great burden protecting Amer property and citizens and dealing with numerous problems which have arisen recently. Commercial work of lowest priority and staff has been instructed put this aside in order handle problems greater urgency. Consequently in present situation impossible get adequate info re end use on basis which export licenses could be issued."

FYI (1) About Oct 1 similar action will be taken re Czech imports. Explanation again will be burden on Emb staff and unimportance commercial work in present trying circumstances. Treas prepared support this field action by instructing Collectors of Customs and informally thru them import trade and bonding companies that penalties will be imposed on importers who do not have certified Consular invoices on Czech goods to present at ports of entry. This penalty will be value of goods plus duty. This will not be complete embargo all imports. Czech goods entering on specific duty basis do not require Consular invoices hence will not be caught on this procedure; however relative value insignificant.

(2) Dept emphasizes these actions will not be announced as economic sanctions but will be regarded as unfortunate results extreme difficulties under which US staff operating in Czech. Will take line that we hope actions are temporary and improved situation could see them eliminated.

(3) Needless say, Czech Govt will be under no illusions as to purpose these actions.

Will tel soonest text Treas letter to Collectors well as repeat to you instr Emb Praha these subjects.

WEBB

[1] For documentation on the Oatis case, see vol. II, pp. 735 ff.

394.31/9–1951

*The Ambassador in the Netherlands to the Secretary of State*

CONFIDENTIAL AIR POUCH THE HAGUE, September 19, 1951.

No. 530

Ref: Deptel 271 Aug 31

Subject: Netherlands Government Reply to Embassy Note[1] on US Proposals for Termination Trade Obligations with Czechoslovakia

The Dutch Ministry of Foreign Affairs has informed the Embassy that the Government will delay giving the Dutch delegation at Geneva detailed instructions concerning the United States proposals for terminating the trade obligations between the United States and Czechoslovakia until after the delegation has had an exchange of views on the question with other friendly delegations at Geneva. The Ministry's note, a copy of which is attached, was written in reply to the Embassy's note presenting the United States position on this question, as outlined in the telegram cited above.[2]

For the Ambassador:
THOMAS A. DONOVAN
*Second Secretary of Embassy*

[1] Neither printed.

[2] The second paragraph of Netherlands Foreign Ministry Note No. 93085, September 15, stated: "The Netherlands Delegation will receive detailed instructions when the results of this exchange of views have been studied by the Netherlands Government." (394.31/9–1951).

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394.31/9–1951 : Telegram

*The Secretary of State to the Acting Secretary of State*[1]

CONFIDENTIAL OTTAWA, September 19, 1951—7 p. m.

Actel 7. Secy spoke to Schuman today in effort obtain French support for proposed waiver GATT obligations to Czecho. Secy explained US under Congressional mandate terminate concessions to Czechs. Pointed US would propose at GATT conference motion to approve bilateral termination. He stated that proposed action would be presented in such way as to avoid necessity for having those countries which support it rule on merits of issue between Czech and US.

Schuman mentioned that France supported US on recent air measures. He agreed consider possibility supporting US on issue of waiver GATT obligations.

Assume Dept will relay info Thorp (re Tosec 12)[2] and suggest Thorp mention to Fr rep Geneva in order provoke followup Schuman promise reconsider.

ACHESON

[1] The Western Ministers were in Ottawa for a session of the North Atlantic Council. Repeated by the Department to Geneva on September 20 (Gatt 28) (394.31/9–2051) and to Paris on September 21 (No. 1747) (394.31/9–1951).

[2] Not printed.

394.31/9–2051 : Telegram

*The United States (GATT) Delegation to the Secretary of State*

CONFIDENTIAL GENEVA, September 20, 1951—11 p. m.

Tagg 17. From USDel GATT. Cuban del GATT has not yet reed instrs re US proposal for severance GATT obligations with Czech. This matter extremely urgent and plenary discussion probable Sat, Sept 22. Vargas[1] has cabled but no reply. Pls do utmost obtain immediate favorable instrs to Cuba del. Every vote counts.[2]

Dept also pass Habana. Priority sent Habana 1, rptd info Dept Tagg 17.

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[1] Andres Vargas-Gomez, Special Adviser, Division of Economic Affairs, Cuban Ministry of State.

[2] On September 21 the following notation was inscribed on the action copy of this cable by Carl D. Corse, Chief of the Commercial Policy Staff: "Called Duwayne Clark [Counselor of Embassy in Cuba] saying it was completely accurate that every vote did count and asking strongest representations to Cubans. He indicated seeing F[oreign] O[ffice] this morning and will suggest Cubans cable Vargas as well as call him. Clark will cable results to Geneva & Dept."

The Embassy in Cuba reported at noontime, September 21 that the Embassy had been informed that instructions had been prepared and would be sent that day to the Cuban delegate at Geneva to "support and cooperate in every respect US proposal for severance GATT obligations with Czechoslovakia." (Habana telegram 220, September 21, noon, 394.31/9–2151).

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394.31/9–2051 : Telegram

*The Chargé in Italy (Thompson) to the Secretary of State*

CONFIDENTIAL ROME, September 20, 1951—6 p. m.

1296. Re Depcirtel 253, Sept 12. Emb continuing on appropriate occasions to urge Ital support of US proposal to terminate US-Czech relations under GATT. Today Grazzi said he had definite information French would not support US proposal but indicated Ital position not yet finally decided. Please advise Emb any developments re position UK and other Eur countries.

Sent Dept 1296, rptd info Geneva 9 for GATT Del, Paris 142, London 144.

THOMPSON

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394.31/9–1251 : Telegram

*The United States (GATT) Delegation to the Secretary of State*

CONFIDENTIAL GENEVA, September 21, 1951—noon.

Tagg 19. Re Embtel 1296, repeated Geneva 9. UK, substantial number other dels have agreed support US proposal for severance GATT relations with Czech. Still talking to Fr and agreement believed very near. For your information Schuman has promised Secy Fr wld reconsider their earlier opposition. Wld appreciate continued Emb help in obtaining satisfactory instructions to Ital del.

Sent Rome 9, rptd info Dept Tagg 19.

394.31/9–2451 : Telegram

*The Secretary of State to the Embassy in Nicaragua*[1]

CONFIDENTIAL WASHINGTON, September 24, 1951—3 p. m.

PRIORITY

76. Embtel 89.[2] Try persuade Min of Economy designate Nic polit officer stationed Europe attend GATT session during discussion and vote Czech question. This question non-technical. US counts on Nic favorable vote. If feasible, telegraphic credentials shld be sent officer designated immed as matter may arise soon. If informed who designated, USDel cld contact him re timing his participation.[3]

ACHESON

[1] Repeated to Geneva as Gatt 35.

[2] Managua telegram 89, September 22, 11 a. m., reported that the Nicaraguan Foreign Ministry, at the direction of President Somoza, was not sending a delegation to the GATT session at Geneva (394.31/9–2251).

[3] In a flurry of cables between Washington, Geneva, and Managua, agreement was reached between the United States and Nicaragnan Governments for the appointment of Ignacio Porto Carrero, Chargé, Nicaragnan Legation, Paris, to attend the Geneva session during discussion of the Czech question and to vote with the United States (Managua telegrams 91 and 93, September 25 and 26, respectively, 394.31/9–2551 and 394.31/9–2651). In any event, Porto Carrero arrived in Geneva too late (September 27).

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394.31/9–2551 : Telegram

*The Secretary of State to the United States (GATT) Delegation*[1]

RESTRICTED WASHINGTON, September 25, 1951—7 p. m.

PRIORITY

Gatt 39. For Thorp. Today Secy spoke Gasperi[2] re GATT vote on Czech issue. Gasperi promised consider carefully but stated he uninformed. Suggest you inform Ital deleg and request he inquire for affirmative decision.

ACHESON

[1] Repeated to Rome as 1394.

[2] Italian Prime Minister Alcide De Gasperi was engaged in talks with the United States Government at this time in Washington, following a session of the North Atlantic Council in Ottawa, Canada; for documentation on these meetings, see volume IV.

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394.31/9–2651 : Telegram

*The United States (GATT) Delegation to the Secretary of State*

PRIORITY GENEVA, September 26, 1951.

Tagg 37. Following statement on Czech suspension made by Thorp today's plenary:[1]

[1] The qnestion of the Czech waiver was considered by the Contracting Parties at one plenary meeting on September 26 and two on September 27 (the 12th, 13th, and 14th plenary meetings).

*Suspension of GATT obligations between the United States and Czechoslovakia.*

Statement by the United States.

Mr. Chairman:

Let me begin by stating specifically what it is that we propose. Briefly, we ask the contracting parties, acting under the authority given to them by Article XXV of the General Agreement, to set aside the commitments of the General Agreement as they apply between the United States and Czechoslovakia. It will be recalled that Article XXV, in paragraph 5 (A), states that "in exceptional circumstances, not elsewhere provided for . . . the contracting parties may waive an obligation imposed upon a contracting party" by the agreement.

We have distributed to the other delegations, for their consideration, a draft of a declaration designed to give effect to this proposal (GATT/CP.6/5/ add .2).[2]

So much for a description of the proposal itself. Now, more broadly, what does it mean, and what would be its practical effect?

First, our request is not a unilateral, one-sided proposal applying only to the obligations of the United States toward Czechoslovakia. We are not seeking any liberty or privilege for ourselves which we are not also prepared to see accorded to Czechoslovakia. On the contrary, our proposal would also free the Czechoslovak Government equally of its obligations under the agreement toward the United States. We consider that this concept of mutuality in the severance of obligations, as in the undertaking of them, is fully consistent with the principles of equity and reciprocity which underlie the General Agreement and which run throughout its administration and enforcement.

Second, the terms of our proposal would apply exclusively to the relations between the United States and Czechoslovakia. It would not affect the obligations of the United States toward the other contracting parties in any respect. For example, it would not mean an increase in the rate of duty on any product imported from the other contracting parties into the United States. Nor would it mean the cancellation of the complaint under Article XIV, previously brought against the United States and now lying before the contracting parties, merely because that complaint was initiated by the Government of Czechoslovakia.

Similarly, the proposal of the United States is not intended to affect the rights or obligations of other contracting parties toward Czechoslovakia, nor of Czechoslovakia toward them. We are here concerned solely and exclusively with the state of our own relations directly with

[2] The text of the proposed Declaration is incorporated in Doc. GATT/CP.6/5/ Add. 2, dated September 24, 1951. It was identical to the Declaration adopted by the Contracting Parties on September 27, the text of which is included in Geneva telegram Tagg 48, September 28, 1951, p. 1422.

the Government of Czechoslovakia and, in the exceptional circumstances which prevail between us, with the impossibility of fulfilling commercial policy obligations which were originally entered into under quite different circumstances.

Our proposal, then, is strictly limited in its scope and, so far as we are concerned, is not intended to have implications for other countries. It is reciprocal in effect, and conforms to the spirit of mutuality which pervades the General Agreement. It does not disturb the relations between any of the other parties to the Agreement.

Now, I should like to explain why the government of the United States feels compelled to take the steps which it now proposes for the severance of commercial policy obligations between the United States and Czechoslovakia.

It has been known to my government for some time that the economic system of Czechoslovakia is being manipulated by its present government in such a way as to nullify the economic benefits which the United States had expected to accrue from the General Agreement on tariffs and trade. Ordinarily these actions would, of course, properly be the subject of a complaint by the United States against Czechoslovakia pursuant to the provisions of Article XXIII. But it is clear to us that there is and can be no real remedy under the provisions of Article XXIII because we can not reasonably anticipate an improvement of our commerce with Czechoslovakia so long as the present state of relations between us exists.

It is, I think, an elementary proposition that fruitful economic relations between any two countries, and the value of commercial obligations between them, must presuppose some reasonable degree of tolerance between the govts concerned, some reasonable degree of mutual respect, some reasonable degree of good faith by each in its dealing with the other. Intolerance, lack of respect, absence of good faith, must surely call into question the validity of promises which, at bottom, rest on a foundation of morality. If one govt considers that another govt has, as a matter of deliberate policy and practice, harassed its representatives and severely limited their number and scope of operations, if one govt considers that another has systematically refused even to receive its representations or even to listen to its protests against acts in violation of treaties or of international law; if one govt considers that another has persistently demonstrated untrustworthiness in its dealings between the two govts; if it is impossible for one govt to obtain from another even the most elementary commercial and economic information which is essential to the conduct of commercial intercourse; if normal relations between businessmen and enterprises in the two countries are made impossible by drastic limitations on their activities; if there is no genuine means of communication between the two govts; then what possible basis can there be for the fulfillment of

commercial policy obligations such as we find in the General Agreement on Tariffs and Trade? I think it must be abundantly clear that there can be none. The very premises on which the contract was based have been removed.

This, I believe, accurately describes the state of the relations which, under the regime of the present govt of Czechoslovakia, have developed between that govt and the Govt of the United States.

The negotiations which led to the assumption by Czecho and the United States of commercial policy obligations toward each other were concluded four years ago, in the fall of 1947. Since that time Czecho has radically altered its entire economic system, its method of doing business with the United States, and the general attitude of its govt toward the people and Govt of the United States. Following upon these basic changes which, I repeat took place after Czecho and the United States agreed to become parties to the General Agreement, the general relations between the two govts have steadily deteriorated. In the view of the United States these relations have now fallen below that minimum degree of mutual tolerance and respect which is essential to the effective discharge of the obligations of the General Agreement. We ask, therefore, that these obligations be formally liquidated in order that there may be no question as to their continuing validity.

I should like to emphasize at this point that our proposal does not introduce any new principle of international law. Clauses for the termination of international commitments which can be invoked at the will of either party, have almost always been included in bilateral commercial agreements and treaties. And, so far as the General Agreement is concerned, no one would question the right of any country to withdraw from the agreement entirely, thus severing its obligations toward all the other parties. The United States proposal would, of course, lead to a situation in which two countries could continue to be parties to the General Agreement even though the Agreement had ceased to apply between them. But this kind of situation the contracting parties have already accepted in principle and in practice through the adoption of Article XXXV. It will be recalled that under Article XXXV, one country is not compelled to assume the obligations of the General Agreement toward another country if that intent is made clear at the time either of them join. Unfortunately, Article XXXV was not incorporated in the General Agreement until after the United States and Czecho had become contracting parties, and it was not until later that the Government of Czecho fundamentally altered the nature of its relations with the United States. It is for these purely circumstantial reasons that the provisions of Article XXXV are not, under the strict letter of the agreement, technically open to us. But in spirit they should apply, and it is the hope of my

govt that the justice of this view will be recognized by the contracting parties.

In asking this, we are not seeking to inject political disputes into the debates of the contracting parties. Over the year, the contracting parties have developed a tradition of confining discussion to economic and trade questions, of sticking to the technical merits of an issue, of excluding irrelevancies, of foregoing the temptations of political harangue. This is a wise tradition. We believe in it and shall do our utmost to preserve it.

We do not, therefore, ask the contracting parties to discuss the political questions which are involved in the relations between the United States and Czecho. We do not ask them to decide whether Czecho or the United States is right or wrong on any political question. We do not ask them to examine into the causes of the situation which has come to pass, or to consider the methods by which it could have been avoided or might be remedied. All we ask is that the contracting parties recognize what is an evident fact—that, irrespective of the merits of any political issue, the incompatibility between the Govts of the United States and Czecho on all issues involved in their relations with one another is at this time so acute and fundamental that the commercial policy obligation under the General Agreement cannot in practice be fulfilled and ought, of right and in honesty, to be suspended. This, in our judgment, is the only way in which the integrity of the General Agreement can be fully preserved.

It may be asked whether, in taking such action, the contracting parties might not create a precedent which would apply whenever there are differences of opinion between particular contracting parties on political or other matters not germane to the General Agreement.

In our view no such precedent would be created. For we are not now dealing with particular controversies between govts over well-defined and specific issues, nor with the right of any country to take economic measures in order to compel a settlement of unrelated political disputes of this kind. What we are confronted with here is a general state of relations between two govts, extending to all matters, economic as well as political, which has grown so tenuous and unsatisfactory that there is no practicable way in which the commercial policy obligations between them can be enforced. This, clearly, is an "exceptional circumstances" which does not easily lend itself to other situations less fundamental and sweeping in character.

To summarize, Mr. Chairman, our position on this matter:

1. We ask the contracting parties to suspend the obligations of the General Agreement between the United States and Czechoslovakia.
2. We ask this because of the exceptional circumstance that the general relations between the United States and Czecho have now become so fundamentally altered that commercial policy undertakings between them are no longer meaningful.

3. In seeking this action, we are requesting it in a form which will not disturb the relations which other contracting parties may have or choose to have with ourselves or with Czecho.

4. Our proposal is in conformity with the spirit of the legal principles already recognized in the agreement. It would not, in our judgment, create a new and undesirable precedent for other cases less fundamental in character.

5. We consider our request to be entirely fair to all concerned and believe that it should be approved by the contracting parties as a matter of justice and common sense. Accordingly, we are confident that it will receive the necessary support.

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394.31/9-2751 : Telegram

*The United States (GATT) Delegation to the Secretary of State*

RESTRICTED GENEVA, September 27, 1951—noon.

Tagg 40. Summary No. 8. Discussion Czech suspension began plenary the 26th to continue 27th. Tauber (Czech) requested permission speak first on point of order and tried again unsuccessfully have item withdrawn from agenda on grounds US proposal based on essentially political matters which CP's not competent to judge.

Thorp's presentation in Tagg 37. Indonesia, Ceylon, Sweden raised questions re appropriate GATT articles under which to take action or questioned lack of ref to any article in US declaration. Greek del supported US proposal, stating it cld understand US situation, pointing to decline in Czech-Greek trade and to fact that Czech had not respected obligations undertaken in trade agreement with Greece. Indian del, altho careful state not taking sides with econ system any one country, fully supported US proposal. Indian pointed out that proposal took practical view of situation which had to be recognized, that it was one of reciprocity, and did not affect obligations of either country with respect to other CP's.

Danish del urged Czech to present case. Since matter of major importance and cld not be dealt with easily, Danish Govt wanted full explanation Czech views. Also asked that no decision be taken immed in order enable reporting back to govts. Latter suggestion supported by Indonesia.

Tauber asked and was granted permission to give speech two parts, view length proposed statement. First speech confined to comments on US presentation. Czech position on proposal to follow next mtg. Czech took exception to US statement that proposed action not unilateral and was based on reciprocity. Through embargo exports to Czech, US itself responsible for impairment of GATT benefits which Czech granted in negots. Stated no change in Czech econ policy since it became CP; as early as 1946 it adhered to principles now well known.

Claimed US had inaugurated cold war which it now asking CP's to approve. In commenting on use Art XXV 5(A), Tauber referred to statement made by US at London preparatory mtg that we interpreted "exceptional circumstances" as econ hardships of temporary nature. Stated also US cld have presented complaint to Czech, under Art XXIII same way other countries have approached US on dairy products; CP's cld have engaged in inquiry; and Czech wld have been ready to discuss. Felt main principles GATT wld be jeopardized if CP's took advantage Art XXXV when differences arose between states. Claimed decline in US exports to Czech due to US action rather than econ change in Czech. Questioned statement Art XXXV not in force when Czech became CP; said Czech acceded April 21, 1949 and protocol including Art XXXV effective April 15, 1948. Stated proposed US action based on political motives incompatible Art 86 Havana Charter. In conclusion rptd charge that US had acted unilaterally to deprive itself of desired benefits.

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394.31/9-2851 : Telegram

*The United States (GATT) Delegation to the Secretary of State*

RESTRICTED GENEVA, September 28, 1951—2 p. m.

Tagg 45. Summary No. 9. In presentation Czech position opposing declaration proposed by US on suspension GATT obligation, Czech del made following statements: (1) problem, which much wider than trade, one CPs not competent to judge; (2) US violating basic internatl agreements and internatl law; (3) US requesting legal decision without legal basis; (4) US allegations re nullification unproved; (5) para 2 US proposed declaration unfounded since Czech had made no declaration that US had nullified benefits. Much of speech diatribe on "US crusade against USSR and People's Republic" and US pressure on other states, citing Battle Bill and present unprecedented pressure on CPs on Czech item. This contrasted with Czech choice of constructive "road to peace" and econ stability and with noninterference of polit matters in council econ mutual assistance in which no question of pressure.

Fr del expressed regret situation had arisen and view of many that this very serious problem to all CPs especially since first time asked to take such action which might set precedent. Felt no art of GATT cld be applied but that wider principle internatl law applicable since exceptional general circumstances exist in the impairment whole advantage both parties expected to accrue under agreement. Under these circumstances, considered US draft declaration good. Also spoke refuting Czech charges. Although regretting situation, UK felt nothing gained

by failing recognize situation that exists and that declaration suitable solution to difficult situation confronting CPs.

Cuba and Italy spoke in support US proposal. Belg suggestion that Art XXVII might apply refuted by Philip (Fr) who pointed out neither US nor Czech have ceased to be CP since each remains CP with respect to others. India and Greece denied vigorously the charge that they submitted to US pressure.

With respect to Czech charges, Thorp declined to take time to disprove all, confining himself to two points as examples that whole story not told. Thorp felt no further statement necessary for CPs to reach judgment on one fact we asked be determined—that exceptional circumstances exist which nullify benefits of agreement. He pointed out that Czech del had been convincing witness in proving case for proposal. This testimony, in addition to Thorp's, indicated clearly that exceptional circumstances exist.

Czech rejection decision and request of CPs in Tagg 42.[1]

In explaining abstentions, Burma and Indonesia said they lacked instrs. Dan del stated abstention centered on doubts regarding art under which action taken. Dan experts felt solution cld be found under Art XXIII. This supported by Sweden.

Friday's plenary to consider relations between GATT and ECOSOC balance of payments restrictions, and exchange agreements.

[1] September 28, 11 a. m., *infra*.

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394.31/9–2851 : Telegram

*The United States (GATT) Delegation to the Secretary of State*

CONFIDENTIAL GENEVA, September 28, 1951—11 a. m.

PRIORITY

Tagg 42. CP's approval US declaration on Czech suspension by vote 24 for, 4 abstentions (Burma, Den, Finland, Indo), Czech against. Czech del refused to accept validity decision which it claims illegal. It stated Czech had not asked suspension and cld not be forced to break agreement, and instead asked CP's authorize Czech, under Art XXVIII, to revoke concessions granted directly to US. Said Czech wld continue accord US MFN advantages. Chairman rules Czech must submit request as separate item on which CP's cld decide whether or not to act.

View foregoing suggest you proceed immed Treas action re Czech imports (Gatt 43, Sept 27 [1]).

[1] Not printed.

394.31/9–2851 : Telegram

*The United States (GATT) Delegation to the Secretary of State*

GENEVA, September 28, 1951.

Tagg 48. Following is the text of the declaration adopted by the Contracting Parties on September 27:[1]

"*The contracting parties,*

"*Considering* that the delegation of the United States has declared that the Government of Czechoslovakia, through its actions, has nullified benefits which should have accrued to the United States under the General Agreement on Tariffs and Trade;

"*Considering* that the delegation of Czechoslovakia has declared that the Government of the United States, through its actions, has nullified benefits which should have accrued to Czechoslovakia under the General Agreement;

"*Considering* the [*that a*] contracting party may not be held subject to the provisions of the General Agreement when the fulfillment of its obligations is rendered impossible by exceptional circumstances of a kind different from those contemplated under the General Agreement, even though the contracting parties may not, in such a case, be competent to appraise the circumstances adduced;

"1. *Take note* of the declarations of the United States and Czechoslovakia;

"2. *Declare* that the Governments of the United States and Czechoslovakia shall be free to suspend, each with respect to the other, the obligations of the General Agreement on Tariffs and Trade; and

"3. *Affirm* that any measures which may be taken either by the United States or by Czecho shall not in any way modify the obligations of that Government under the General Agreement toward the other contracting parties."

[1] The Declaration was approved by roll-call vote, 24 votes in favor, 1 against, and 4 abstentions (Summary Record of the 14th Meeting, September 27, 1951, 3 p. m., Doc. GATT CP.6/SR.14, 1 October 1951, GATT Files, Lot 63 D 134, Box 268).

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394.31/9–2851

*Memorandum of Transatlantic Telephone Conversation, by the Chief of the Commercial Policy Staff (Corse)*

RESTRICTED [WASHINGTON,] September 28, 1951.

Subject: United States Obligations to Czechoslovakia under the General Agreement.

Participants: Mr. John M. Leddy, United States Delegation to Sixth Session of Contracting Parties to the General Agreement on Tariffs and Trade, Geneva.
Mr. Carl D. Corse, CP

After congratulating the United States Delegation for its success in obtaining favorable action by the Contracting Parties with regard

to a release from United States obligations to Czechoslovakia under the General Agreement, Mr. Corse asked whether there was any obstacle in the way of the United States immediately suspending the applicability of trade agreement concessions to imports from Czechoslovakia. Mr. Leddy said that there were none, and asked for authorization to notify the Contracting Parties that the United States intended to suspend immediately all obligations of the United States with respect to Czechoslovakia under the General Agreement. Mr. Corse gave Mr. Leddy this authorization. He also told Mr. Leddy that the President would be asked to sign, as soon as possible, a letter to the Secretary of Treasury suspending the applicability of trade agreement rates to imports from Czechoslovakia.

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394.31/9–2951 : Telegram

*The United States (GATT) Delegation to the Secretary of State*

GENEVA, September 29, 1951.

Tagg 49. Fol delivered Exec Sec 10:40 a. m., Geneva time, Sept 29:

"My dear Mr. Executive Secretary: This is to inform you that the Government of the US invokes its right under the second paragraph of the operative part of the declaration by the CPs of September 27, 1951, and hereby suspends, effective immediately and until further notice, the obligations of the US with respect to Czechoslovakia under the GATT.

"Sincerely yours, Willard L. Thorp, Chairman, USDel Sixth Session of CPs to the GATT".

Anticipate circulation of GATT doc in Geneva and release to press in Washington.

Pls advise date publicity and text any covering release.

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394.31/10–251 : Telegram

*The Acting Secretary of State to the United States (GATT) Delegation*

WASHINGTON, October 2, 1951—4 p. m.

Gatt 63. President today signed notification to Treas of withdrawal of trade-agreement concessions from Czech after close of business Nov 1. We are issuing following press release for immediate publication. "Pres today notified Treas that after close business Nov 1 US concessions made in trade agreements will be suspended with regard imports from Czech. Action taken in accordance Sec 5 Trade Agreements Extension Act 1951 which states in part that 'As soon as practicable Pres shall take such action as is necessary to suspend, with-

draw, or prevent application any reduction in any rate duty, or binding any existing customs or excise treatment, or other concession in any trade agreement . . . . to imports from any nation or area dominated or controlled by foreign government or foreign organization controlling world communist movement.'

Dept announced July 31 (Press Release 689) US had determined withdraw from Czech benefits of trade-agreement tariff concessions and to request CP's to GATT now meeting at Geneva to concur in termination all obligations between this Govt and Czech by virtue provisions of GATT.

On Sep 27 CP's by vote 24 to 1 with 4 abstentions agreed that Govts of US and Czech shld be free to suspend their obligations to each other which occur in GATT. On Sep 29 Chairman USDel to CP notified secretariat to CP's that US invoking rights under declaration adopted Sep 27 and suspending, effective immediately and until further notice, obligations of US with respect to Czech under GATT.

US concessions provided for in Schedule XX of GATT will continue to be applied to imports from other countries to which US is currently granting benefits of trade-agreement concessions with respect tariff matters".

WEBB

## V. REPRESENTATIONS BY OTHER GOVERNMENTS TO THE UNITED STATES REGARDING SECTION 104 OF THE DEFENSE PRODUCTION ACT AMENDMENTS OF 1951, AND SECTION 22 OF THE AGRICULTURAL ADJUSTMENT ACT OF 1933, AS AMENDED (THE SIXTH SESSION OF THE CONTRACTING PARTIES TO GATT)

*Editorial Note*

A question closely affecting the United States at the Sixth Session of the Contracting Parties was that of the restrictive requirements of the new Section 104 inserted as an amendment to the legislation extending the Defense Production Act of 1950 (64 Stat. 822), that is the Defense Production Act Amendments of 1951 (July 31, 1951, 65 Stat. 131). Section 104 required import controls through June 30, 1952 on specified products whenever the Secretary of Agriculture determined that imports of such products would (*a*) impair or reduce the domestic production of any such commodity or product below "present" production levels, or below such higher levels as he might determine necessary in view of domestic and international conditions, or (*b*) interfere with the orderly domestic storing and marketing of any such commodity or product, or (*c*) result in any unnecessary burden or expenditure under any government price support program. The products for which control authority was provided were those fats and oils and rice

and rice products formerly covered by legislation which expired on August 1, 1951, plus cheese and other dairy products. Section 104, except for the addition of controls on cheese and dairy products, was an extension of import restrictions sanctioned by previous legislation: the Second War Powers Act of 1942 (March 27, 1942, 56 Stat. 177 (title III)), Public Law 155, 81st Congress (July 1, 1949, 63 Stat. 405), Public Law 590, 81st Congress (June 30, 1950, 64 Stat. 308), and Public Law 69, 82d Congress (June 30, 1951, 65 Stat. 110).

Section 104, however, differed in several material respects from the earlier fats and oils control legislation. Firstly, whereas the earlier legislation continued "certain powers, authority, and discretion" for the purpose of imposing import controls on certain products, Section 104 permitted no discretion. Import controls were mandatory under Section 104 whenever the Secretary of Agriculture determined that any one or more of three conditions existed, regardless of whether the restrictions might result in violations of the international obligations of the United States or whether it might be detrimental to agriculture as a whole. Secondly, by providing control authority for cheese and other dairy products, the extent of control authority was broadened substantially. Products which were previously free from quantitative import restrictions under the earlier legislation but which were now subjected to such restrictions under Section 104 were cheese, casein, and nonfat dried milk solids. Thirdly, the conditions under which controls were authorized under Section 104 differed from those provided by the earlier legislation.

Section 104 became part of the Defense Production Act as a result of amendments offered on the floor of both houses of Congress without committee consideration or hearings. Before its expiration on July 1, 1951 several bills were introduced to extend the authority provided by Public Law 590. These bills provided for extensions of either one or two years, and some provided for control authority on cheese. The House bills were referred to the House Committee on Banking and Currency; the Senate bills, to the Senate Committee on Banking and Currency. No hearings were held by either Committee on those bills or on the floor amendments which became Section 104. The so-called "cheese amendment" was offered in a motion from the floor by Representative August H. Andresen, Minnesota, and subsequently often was referred to as "the Andresen amendment". The same motion was offered from the floor in the Senate by Senator Warren G. Magnuson of Washington.

(*Note:* The above information is based on official Department of State documentation in the Department's central indexed files 411.006 and 411.566 and International Trade Files, Lot 57 D 284, Box 165.)

Representations against Section 104 were made to the Department of State by certain governments even before the legislation had passed the Senate or cleared the Conference Committee of the two houses.

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411.656/7-1451

*The Italian Embassy to the Department of State*

No. 8021

The Italian Embassy presents its compliments to the Department of State and has the honor to call its attention to the following:

It is public knowledge that the House of Representatives has voted, in its session of July 20, an amendment to Section 104 of the Defense Production Act of 1951,[1] a measure which prohibits the importation of cheeses into the United States for a period ending June 30, 1953.

The adoption of such an amendment would endanger severely one of Italy's oldest and most traditional currents of exports to the United States, which provides work for entire regions of Italy and gives a substantial irreplaceable contribution to the balance of payments which shows a wide gap against Italy. (Italy exports less than one-fourth of what she imports from the United States.)

The suspension of the importation of cheeses to this country is furthermore in contrast with the action undertaken by the Government of the United States to assist in the economic recovery of the Nations under ECA aid, recovery that is indispensable to enable these nations to participate efficiently in the common defense efforts.

It is pointed out also that while the exportation of Italian cheeses to the United States constitutes a vital factor for the Italian economy, on the other hand, its incidence on the American production is irrelevant not only in respect to the entity of the exported product, but because of the types of cheeses produced by Italy, which are not in competition with those produced in the United States.

Moreover, the said amendment would render void the provisions contained in Art. 11 of the GATT and would nullify the United States tariff reductions agreed upon in the recent negotiations and for which Italy granted similar tariff reductions in favor of American products.

In view of the foregoing, the Italian Embassy would deeply appreciate it if the Department of State would give its particular attention to this matter, in order to avoid the unfavorable repercussions which the adoption of such a measure would cause in the trade relations between Italy and the United States.

The Italian Embassy expresses its thanks to the Department of State for its kind consideration and assistance.

WASHINGTON, July 14, 1951.

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[1] The act was cited as the "Defense Production Act Amendments of 1951".

411.006/7–1751

*The Danish Ambassador (de Kauffmann) to the Secretary of State*

WASHINGTON, July 17th, 1951.

SIR: Present discussions in Congress of an amendment to the National Production Act which would tend to control imports of dairy products and under certain circumstances completely to bar imports into the United States of various sorts of cheese have caused serious alarm in Denmark. It would seem doubtful to the Danish authorities how legislature of such a nature can be brought into accordance with the GATT-agreement, the effect of the amendment if passed totally or partly to cancel the effects of an American customs reduction which the Western European countries have paid for by reducing duty on American goods exported to these countries.

A cessation or reduction of cheese exports to the United States would be particularly detrimental for Denmark. Denmark's export of cheese to USA constitutes between 12 and 13% of our total exports to the United States, and since cheese is one of the Danish products for which sales in USA have shown a particularly marked growth great expectations have been entertained with regard to exports of this commodity. In 1950 Denmark exported 4 million lbs of cheese to USA to be compared with a total American cheese production of that year amounting to 880 million lbs. It can hardly be thought that sales of this amount can in any way be detrimental to American cheese production. On the contrary it might be surmised that imports of European cheeses due to their special qualities would stimulate cheese consumption in the United States and therefore in the long run would benefit American dairy production.

In view of these facts and the common desire to promote international trade—expressed through ECA's work in Europe—as well as the efforts taken to enable Western Europe as soon as possible to reach viability and to meet their dollar needs. I venture to express the strong hope that the contemplated legislation concerning import of cheese to USA will not be enacted.

I avail [etc.] HENRIK DE KAUFFMANN

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411.446/7–1951

*The New Zealand Ambassador (Berendsen) to the Secretary of State*

The Ambassador of New Zealand presents his compliments to the Secretary of State and has the honour to refer to certain matters which, insofar as they appear likely to have significant effect upon the opportunities for the marketing of New Zealand dairy products in the United States, are giving serious concern to the New Zealand Government.

It is understood that legislation has been passed by the Congress of the United States which provides for the continuation of certain emergency wartime restrictions against the importation of fats and oils, including butter, which otherwise would have expired. It is also understood that in extending the present Defense Production Act certain amendments are proposed which would not only continue the present degree of restriction on fats and oil for a further two years, but would also extend the scope of these measures to restrict the importation of other dairy products, including cheese.

The New Zealand Government would be grateful if consideration could be given to the following factors:

The dairy industry in New Zealand has been developed and organized for export production and, together with other agricultural and pastoral industries, forms the whole basis of New Zealand's economy. In the eighteen months ended June 1950 the value of dairy products exported from New Zealand was over one-third of the total value of all exports in that period. The standard of living of New Zealand and the economic life of the country is substantially dependent upon export outlets throughout the world. In view of this reliance upon export markets, the dairy industry of New Zealand has always maintained great efficiency and the New Zealand products have an excellent reputation in world markets.

The United Kingdom is traditionally the largest purchaser of New Zealand's dairy produce. Other markets, however, are extremely important to New Zealand, not only for the purpose of maintaining broad trade relationships, but also to enable us to purchase a wide range of import requirements from many countries. Access to all world markets both for exports and for imports is of fundamental importance to New Zealand, and this applies particularly to the maintenance of trading opportunities with the United States.

Prior to the recent World War, New Zealand had a small but regular export trade with the United States in butter and other dairy products. During World War II, and in accordance with the wishes of the Governments of the United States and the United Kingdom, New Zealand's exports of dairy produce were concentrated in the United Kingdom market. In addition, however, and as a result of strenuous efforts to increase production, large supplies of New Zealand butter and other dairy produce were made available to the American and other Allied Forces.

In the post-war years, when world shortages of basic foods have been a major problem, New Zealand has exerted every endeavour to increase the production of dairy products. Notwithstanding the acute need of the United Kingdom for food products, New Zealand has been anxious to resume trade with the United States even though the quantities of dairy produce available could only have been small. Sales over recent

years of some quantities of cheese and other products to the United States have been valued as representing progress in this direction, and particularly as a means by which New Zealand can earn the dollar exchange with which to make purchases from the United States.

Action by the United States Government not only to continue these restrictions originated under war-time conditions but also to extend the restrictions against the importation of all dairy products from New Zealand, could not fail to have a most profound effect upon the economic strength and welfare of New Zealand. New Zealand has a pressing need to increase its earnings of dollar exchange in order to purchase the raw materials and equipment needed not merely to maintain its standard of living but also to continue its contribution to the common defence effort.

In view of certain statements made in Congress, it is also thought appropriate to point out that the quantities of butter, cheese, and other dairy products which New Zealand could make available to this market are necessarily limited, and indeed would be of minor significance in relation to domestic production in the United States. Furthermore, it is the policy of the New Zealand agency responsible for the marketing of these products to effect sales in an orderly manner, and at current market levels after making any reasonable allowance to the importer for any special commercial risks involved.

Apart from the adverse effects mentioned heretofore, any restrictive action as proposed would be contrary to mutually agreed objectives of reducing trade barriers and, in particular to the letter and the spirit of the General Agreement on Tariffs and Trade. It would tend to neutralize the benefits for which New Zealand has already given concessions under this Agreement. Furthermore, it must not be overlooked that restrictive measures of this nature render more difficult the task of gainsaying those sectional interests which are opposed to the principle of reducing trade barriers.

Opportunity is taken of pointing out that restrictions of the type proposed are likely to add to the forces of inflation which the United States in cooperation with New Zealand and other countries is seeking to combat.

In conclusion, having particularly in mind the present efforts of the United States and New Zealand within the limits of their capacities to fulfil their obligations to resist forces of aggression throughout the world, it is considered that the availability of the United States market for dairy products from New Zealand is of considerable significance, both to the implementation of those aspects of United States policy associated with the current international emergency and also to the supply to New Zealand of raw materials and equipment so urgently needed to fulfil New Zealand's share in the joint efforts of free countries.

549-782—79——91

Although it is earnestly hoped that the proposed restrictions will not be enacted, the New Zealand Government would be grateful for clarification of the position relating to the admission of dairy products covered by existing contractual arrangements, and also relating to shipments in transit or about to be loaded.

WASHINGTON, 19 July 1951.

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411.006/8-151

*The Danish Ambassador (de Kauffmann) to the Secretary of State*

Ref. no. 88.F.3.

The Danish Ambassador presents his compliments to the Honorable the Secretary of State and has the honor to refer to the Ambassador's note of July 17, 1951, in connection with import control provisions contained in the proposed amendments to the Defense Production Act of 1950.

It has been learned that the Department of Agriculture in preparing regulations to carry out the provisions of the amended section 104, now appearing in the Defense Production Amendments of 1951, is inclined to suggest that importation of dairy products with the exception of cheese be prohibited. It is further learned that importation of cheese is proposed regulated on the basis of average imports of each type for 1948, 1949, and 1950 from each country.

Should such provisions be established they would completely bar Danish exports to the United States of other milk products, for instance whole milk powder, and, furthermore, such provisions would seem to discriminate unfairly against Danish cheese exports to USA. In 1939 Danish cheese exports to the United States aggregated 1820 metric tons, in 1948: 394, 1949: 613, 1950: 1895, and during the first five months of 1951: 1274 metric tons.

During World War II and the immediate post-war years Danish dairy production suffered a serious setback from lack of sufficient protein feed. Mainly as a result of the Economic Assistance Program this production recovered. Constantly encouraged by ECA, Danish efforts to increase exports of dairy products—primarily cheese—to the United States were successful. However, as illustrated by the figures above, the export of cheese did not reach prewar levels until 1950. This development in the Danish cheese sales to the United States is in line with the aims and purposes of the European Recovery Program, and in the opinion of the Danish Government implementation of restrictions of the above mentioned nature would not only have a special discriminatory effect upon Danish cheese exports to the United States, but would also be completely contrary to the aims of said Program. Likewise such regulations do not seem to be in harmony with the pro-

visions of the GATT agreements concerning quantitative restrictions on imports.

At a time when the economic assistance is being drastically reduced, a severe cut in Danish dollar earnings—which would be the result of such restrictions—would seriously counteract Danish efforts to improve Denmark's balance of payments through exports to the United States.

It is, therefore, the sincere hope of the Danish Government that no restrictions will be introduced adversely affecting Denmark's trade with the United States.

WASHINGTON, August 1, 1951.

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411.656/8-851 : Telegram

*The Chargé in Italy (Thompson) to the Secretary of State*

RESTRICTED ROME, August 8, 1951—midnight.

670. *Note verbale* dated July 31 received from FonOff protesting approval by mixed Congressional comm of Anderson [*Andresen*] amendment to Defense Act to suspend or limit US imports fats, oils, cheese, etc. Note states in part:

"FonOff regrets having to take note that such decision would hit two typical Italian products, i.e. olive oil and cheese, and points out that, even disregarding serious economic and foreign exchange consequences which would result for Italy, such provision would seem to conflict with action undertaken by US Govt to favor economic recovery of certain countries within framework of ERP Aid Program.[1]

"This amendment, if effectively applied, would also seem to conflict with provisions Art 11 of GATT and would annul recently negotiated tariff reductions whereby Italy conceded analogous reductions in favor American products".

Needless to say, we believe Ital protest more than justified. Would be most difficult to explain to Italian cheese and oil producers, who now faced with loss of ⅓ and ½ their respective export markets, how exclusion their products assists US def production.

Although we are confident actual implementation of amendment by Secy Agriculture will be as liberal as legislation permits and that amendment may eventually be repealed, this Congressional repudiation of principles embodied in GATT and ERP will inevitably undermine our future bargaining position on commercial policy matters and increase skepticism re sincerity US position. Except for one financial paper, Ital press has not yet realized implications, but story obviously grist for Commie mill.

THOMPSON

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[1] For documentation on this subject, see volume IV.

411.006/8-1651 : Circular airgram

*The Acting Secretary of State to All Diplomatic and Consular Offices*[1]

WASHINGTON, August 16, 1951—8:05 a. m.

RESTRICTIONS ON IMPORTS OF CERTAIN AGRICULTURAL PRODUCTS

1. The Department of Agriculture released on August 9, substantially the following announcement:

"The U.S. Department of Agriculture announced today that effective immediately no commercial imports of peanuts, peanut oil, butter, butter oil and nonfat dried milk solids will be permitted for domestic consumption. The announcement stated also that imports of cheese and casein had been placed on a quota basis.

This action taken in accordance with provisions of the Defense Production Act, as amended, which require imposition of controls over fats and oils, butter, cheese, and other dairy products if the importation would (1) impair or reduce domestic production, (2) interfere with orderly domestic storing or marketing, or (3) result in any unnecessary burden or expenditure under any government price-support program. Department officials stated that uncontrolled imports of commodities listed in today's announcement would have one or more of the specified adverse effects.

Total quantities of casein and of each type of cheese to be licensed for import will be based upon a percentage of recent average annual imports. Licenses will be issued to eligible importers in accordance with each applicant's historical record of imports during the base period.

For the period from August 9 through December 31, 1951, the total quantity of each type of cheese that will be licensed for importation will be limited to five-twelfths of the annual average importations of that type of cheese during three base-period years, the calendar years 1948–50. The total quantity of casein that will be licensed for importation through December 31, 1951, will be limited to five-twelfths of the amount imported during the one-year base period, the fiscal year ended June 30, 1951.

Importers of record who desire emergency licenses in order to proceed with current transactions will be required to furnish details of their import records before emergency licenses will be granted. Licenses will be granted, upon application, for transshipment of restricted commodities through the United States for foreign destinations.

Applications for import authorization, and details of documentation that will be required to establish records of importation during

[1] On August 9 in circular telegram 121, 8 p. m., the Department cabled this information on a priority basis for action to the United States Embassies in Paris, Copenhagen, Wellington, The Hague, Ottawa, Montevideo, Ciudad Trujillo, Rome, Bern, Oslo, Buenos Aires, Canberra, and Helsinki; it was repeated for information to London.

applicable base periods, are available upon request to the Director, Fats and Oils Branch, Production and Marketing Administration, United States Department of Agriculture, Washington 25, D.C."

2. This information was given at two p.m. on August 9 to representatives of the Washington missions of the following countries:

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|---|---|
| France | Dominican Republic |
| Denmark | Italy |
| New Zealand | Switzerland |
| Netherlands | Norway |
| Canada | Argentina |
| Uruguay | Australia |
| Finland | |

3. Flaxseed and screenings, linseed oil, rice and rice products continue to be embargoed.

4. Copies of the order of the Department of Agriculture will be supplied to all posts as soon as available.

5. Text of Section 104 of Defense Production Act of 1950, as amended, now reads:

"Import controls of fats and oils (including oil-bearing materials, fatty acids, and soap and soap powder, but excluding petroleum and petroleum products and coconuts and coconut products), peanuts, butter, cheese and other dairy products, and rice and rice products are necessary for the protection of the essential security interests and economy of the United States in the existing emergency in international relations, and no imports of any such commodity or product shall be admitted to the United States until after June 30, 1952, which the Secretary of Agriculture determines would (*a*) impair or reduce the domestic production of any such commodity or product below present production levels, or below such higher levels as the Secretary of Agriculture may deem necessary in view of domestic and international conditions, or (*b*) interfere with the orderly domestic storing and marketing of such commodity or product, or (*c*) result in any unnecessary burden or expenditures under any Government price support program. The President shall exercise the authority and powers conferred by this section."

WEBB

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411.656/8-1551

*The Italian Embassy to the Department of State*

No. 9205

The Italian Embassy presents its compliments to the Department of State and has the honor to call its kind attention to the following.

On August 9, 1951, the United States Department of Agriculture announced that the import of cheese had been placed on a quota basis, in accordance with the provisions of the Defense Production Act, as

amended (Andresen Amendment), in view of circumstances indicated therein.

The Italian Embassy wishes to point out that none of the circumstances mentioned in the amendment, requiring a control of imports, exists in the case of Italian cheese, since imports of this product from Italy are still far below the pre-war level.

Italian cheese imports do not result in an unnecessary burden of expenditure under the U.S. Government price support program, because said imports are not competitive with the American product and are, moreover, sold at a much higher price than the domestic production.

In fact, the bulk of Italian cheese imported into the United States is a special type of cheese, sheep's milk cheese, which is not produced in the United States and therefore is not in competition with any domestic production.

Other typical Italian cheeses are not produced in the United States in appreciable quantities and in any event their imitations are not competitive, neither in price nor in quality, with the corresponding Italian products. Therefore, any further restrictions on imports of Italian cheese in favor of the American products (which are already amply protected by the high customs duties, customs procedures, and by the regulations of the Food and Drug Administration) are detrimental to the American consumption of these products and at the same time deprive one of the United States' best customers of her means of earning the dollars needed for the payment of her purchases of American products.

Cheese was always one of the most important and typical Italian exports to the United States and to restore this export to the normal pre-war level is in the interest of both countries, in order to reduce the enormous unbalance of trade and to lessen the "burden or expenditure" generously sustained by the United States Government in its program of assistance to the Italian economy.

Italy is still in the process of rebuilding her trade with the United States and therefore restrictions limiting her exports to the United States would hamper the resumption of her vital currents of exports.

The recent regulation of the Department of Agriculture will cause a contraction of the Italian cheese imports into this country with a consequent increase of the Italian trade deficit. Such a situation will finally force Italy to reduce her purchases of wheat, cotton and other agricultural products in the United States, which are of vital interest to millions of farmers and for which a price-support program is likewise a further burden of expenditure to the American taxpayers.

The Italian imports of cheese are still noticeably lower than the levels reached during the pre-war period, based on a normal commer-

cial situation. Despite the progress of the past few years, these imports from Italy and other countries still represent a negligible fraction of the American production, which—in respect to the Italian type of cheese—was abnormally developed because of the lack of supplies during the war.

The news of the restrictions on imports of cheese in the United States has caused the greatest concern in all Italian agricultural and industrial circles interested in the exports of cheese to the United States, which depend entirely upon this activity for their livelihood.

The adoption of a quota basis import policy means that the United States is now advocating a return to methods and system which they tried to abolish through the various OECE [*OEEC?*] and ECA initiatives in Europe.

The adoption of the quota system for cheese has created great perplexity in the Italian Government and in the public opinion and will certainly hamper further progresses toward a policy of liberalization of exchanges, as supported by OECE and advocated by the American Government for a closer economic cooperation and integration among free nations.

Furthermore, a contraction of the imports of Italian cheese would disregard the provisions of Art. 11 of the GATT and would void the United States Tariff reductions recently agreed upon and for which Italy granted similar tariff reductions in favor of American products.

It is also feared that similar restrictive measure will be applied by the Department of Agriculture to olive oil which, like cheese, is one of the most important and traditional items of Italian exports to the United States.

Italy, unfortunately, has few lines of exports for which she can find an outlet in the United States market; should these currents be cut off by restrictive measures on the part of the United States Government, disastrous consequences of economic and social character would result for a country already facing a large unemployment and enormous difficulties in earning, through her export trade, the dollars needed for the procurement of essential foodstuffs and raw materials.

In view of the foregoing, the Italian Embassy would be grateful if the Department of State would give its particular attention to this matter, in order to avoid the unfavorable repercussions which the adoption of such a measure would cause to the trade relations between Italy and the United States.

The Italian Embassy expresses its thanks to the Department of State for its kind consideration and assistance.

WASHINGTON, August 15, 1951.

411.006/8-2451

*Memorandum by the Deputy Assistant Secretary of State for Economic Affairs (Linder) to the Secretary of State*

[WASHINGTON,] August 24, 1951.

Subject: Briefing Paper—Fats and Oils Restrictions [1]

Under the recently enacted Defense Production Act, the United States has imposed import restrictions on casein and cheese, and has embargoed butter, peanuts, flaxseed, dried skim milk, and rice. These restrictions on imports violate our trade agreement obligations and nullify or impair tariff concessions granted other countries.

Should this matter be raised, the Secretary should:

(1) neither confirm nor deny charges that our action is inconsistent with our international obligations;*

(2) express the willingness of this Government to give sympathetic consideration to any appropriate representations with a view to effecting a satisfactory adjustment of the matter in accordance with our obligations.

In extending the Defense Production Act, Congress added an amendment to the Act, in Section 104, providing that there shall be no imports of fats and oils (excluding petroleum and its products and coconuts and coconut products), peanuts, butter, cheese, other dairy products, and rice and rice products which the Secretary of Agriculture determines would (*a*) reduce domestic production below present levels or below higher production goals which may have been set or (*b*) interfere with orderly marketing or storing of the products or (*c*) cause any unnecessary burden or expenditure under any price-support program. Section 104 was adopted, over Administration opposition, under pressure from dairy and cottonseed crushing interests as a floor amendment to the bill.

Under the legislation the Secretary of Agriculture on August 9 embargoed imports of flaxseed, flaxseed screenings and linseed oil, peanuts, peanut oil, butter, butter oil and nonfat dried milk solids. He also placed imports of cheese and casein under quota, imports of cheese

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[1] Briefing paper prepared for the use of the Secretary of State at the San Francisco Conference. This conference for the signing of the Japanese Peace Treaty was to convene on September 4.

*There is a clear conflict between the application of the restrictions and Article XI of the General Agreement on Tariffs and Trade (GATT). Of the countries expected to be at San Francisco, the following are contracting parties to the GATT: Australia, Belgium, Brazil, Ceylon, Cuba, Czechoslovakia, Dominican Republic, France, Greece, Haiti, Liberia, Netherlands, New Zealand, Nicaragua, Pakistan, Peru, Turkey (the latter two are expected to accede to GATT soon), Union of South Africa, the United Kingdom and Uruguay (expected to accede to GATT soon). The Philippines are also expected to accede but the Agreement will not apply as between the United States and the Philippines. [Footnote in the source text.]

being limited to the average amounts imported during the three-year period 1948–1950. The casein quota is based on imports in fiscal 1951. Licenses will be issued to importers of record in accordance with each applicant's historical record of imports during the base period.

Flaxseed and linseed and rice and rice products had been under embargo as products in world short supply for some years, most recently under a different provision of the Defense Production Act, namely Section 101. Butter and peanuts and peanut oil had been under embargo for some years up to July 31, 1951 when these embargoes would have lapsed but for the enactment of this new legislation. Dried skim milk is under embargo for the first time, and we have likewise never before had quotas on imports of cheese and casein.

The Department has received vigorous protests from several governments concerning the imposition of these measures. In so far as the measures involve our international obligations, affected countries may charge that we have violated our commitment under Article XI of the General Agreement on Tariffs and Trade (GATT), which provides that quantitative restrictions shall not be imposed on imports except under specified conditions not present in this case, and that we have impaired or nullified tariff concessions granted to them on cheese and other products.

Of the contracting parties to the General Agreement which will probably be at San Francisco, those concerned with the restrictions would be France, Netherlands, the United Kingdom (primarily on behalf of the southern dominions) and New Zealand.

The case of the countries with which we have bilateral agreements is somewhat different.† The bilaterals do not contain a general prohibition on quotas or even on embargoes but only prohibit quantitative restrictions on scheduled products (those on which tariff concessions have been granted). Moreover, several of the bilateral agreements contain an exception which permits quotas "in conjunction with governmental measures . . . operating to regulate or control the production, market supply or prices of like domestic articles . . . ."

Action taken under one of the three criteria of Section 104, referred to above, and possibly under the other two also, would come within the broad exception of the bilateral trade agreements. That is, we do have programs to control the prices of the products covered, and in the agricultural import order it is not specified which criteria apply to which of the products covered. We might therefore argue with some of the countries with which we have bilateral trade agreements that our action is not inconsistent with our obligations.

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† Of the countries expected to attend the San Francisco conference, the United States has bilateral trade agreements with the following: Argentina, Ecuador, El Salvador, Guatemala, Honduras, Iran, Peru, Turkey, Uruguay, and Venezuela. [Footnote in the source text.]

Nevertheless, for a variety of reasons it is believed that we should not press our claims. This Department opposed the amendment in Congress and is seeking its repeal.[2] We have consistently opposed the use of quantitative restrictions by the United States except in conformity with the GATT. Instead, we should neither confirm nor deny charges.

*Willingness to Consider Representations.* Article XXIII of GATT provides that if any contracting party considers that any benefit accruing to it under the agreement is being nullified or impaired by the application by another contracting party of any measure, the latter shall give sympathetic consideration to representations or proposals by the former which may be presented with a view to the satisfactory adjustment of the matter. Accordingly, the United States should stand willing to give sympathetic consideration to representations by parties to GATT regarding this action.

In bilateral trade agreement, the United States made commitments similar to that in Article XXIII of the GATT. Our obligation to give sympathetic consideration to representations therefore applies to all of the countries with which we have either a bilateral or a multilateral agreement.

[2] On August 23 President Truman in a message to the Congress recommended prompt repeal of Section 104.

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411.426/8-2751

*Memorandum of Conversation, by Mr. Constant Southworth of the Office of British Commonwealth and Northern European Affairs* [1]

RESTRICTED WASHINGTON, August 27, 1951.

Subject: US restrictions on imports of certain agricultural products

Participants: Mr. W. D. Matthews, Canadian Minister
Dr. W. C. Hopper, Agricultural Counselor, Canadian Embassy
Mr. Linder, E
Mr. Leddy, EDT [2]
Mr. Southworth, BNA

Mr. Matthews delivered the attached note to Mr. Linder formally protesting against the recent establishment of restrictions on imports of fats, oils, and other dairy products into the US.

He said that the immediate effect of establishing such restrictions, particularly the quota on Cheddar cheese, which according to him is

[1] The memorandum was initialed by Harold Linder, Deputy Assistant Secretary of State for Economic Affairs.

[2] John M. Leddy of the Office of Economic Defense and Trade Policy. Leddy was to become EDT Director in November 1951.

only 41 percent of 1950 imports of Cheddar, is hardship for Canadian producers and exporters, but that the Canadian Government's principal purpose in making this protest is the broad one of drawing attention to the violation of GATT involved and to its serious implications for the future of the liberal commercial policy in the development of which the US and Canada have so actively cooperated. The legislation on which these restrictions are based is, he said, the first US legislation that has been contrary to GATT.

Mr. Linder and Mr. Leddy assured him that we were fully aware of the objections to this legislation, that we had received protests from a number of countries, that we were keenly embarrassed by it, and that we were at least as eager to get rid of it as the Canadians. Its enactment had come so suddenly that the Department had had no real opportunity to head it off. We were devoting much time and thought to ways of repealing it. Among other things we had discussed the question with certain agricultural groups, for instance the Federation of Farm Bureaus, and the prospect of their cooperation seemed good. However, the Canadians were told repeal is not likely at this session of Congress. No agricultural legislation is expected to come up the remainder of this year on which repeal could be pushed as an independent action. Some congressmen who had been steady supporters of the trade-agreements program voted for the amendment apparently without realizing its commercial-policy implications. A thoroughgoing educational campaign is needed before repeal can be expected.

The Canadian Government would like to publish the note. We saw no objection to this. Mr. Matthews agreed to inform us when it is to be published.

At this time, Mr. Matthews said, his government is merely protesting but there is a strong body of opinion in Canada which favors possible further action, for instance, withdrawal of concessions enjoyed by the United States.

[Attachment]

*The Canadian Chargé (Matthews) to the Secretary of State*

No. 496

The Canadian Chargé d'Affaires, a.i., presents his compliments to the Secretary of State and has the honour to advise him that the recent announcement of the United States Department of Agriculture with regard to the control of imports into the United States of fats, oils, and other dairy products has created a situation which is of urgent concern to the Canadian Government. The restriction of the imports of dried milk products, and cheese in particular, will cause immediate damage to Canadian trade with the United States.

In the case of cheese, the new import quota will reduce United States imports substantially below the levels which have prevailed in the immediate past. This reduction cannot fail to have a serious prejudicial effect upon the position of the Canadian dairy industry.

While the impact of the new restrictions upon particular producers is of immediate concern, the Canadian Government wishes also to call the particular attention of the Government of the United States to the more far-reaching implications of this action. The new restrictions announced by the United States Department of Agriculture are contrary to the obligations which the two governments have assumed toward one another in the General Agreement on Tariffs and Trade. The latter provides clearly that quantitative import restrictions of this kind shall not be imposed except in certain stated circumstances which cannot be held to exist at present in respect to these commodities. These new import controls, furthermore, will nullify the value of certain of the tariff concessions which were negotiated at Geneva in 1947 and at Torquay, these concessions having been bound by the United States until January 1, 1954.

The Government of Canada has sought at all times to observe the terms of the General Agreement on Tariffs and Trade which govern the commercial relations between our two countries. The Canadian Government earnestly hopes the Government of the United States will review the action it has recently taken to restrict the imports of dairy products, in the light of the provisions of the General Agreement on Tariffs and Trade, in order that the mutually advantageous trade which is of such great importance to the general well-being of both our countries may not be impaired.

WASHINGTON, August 27, 1951.

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411.006/8–2851

*The Danish Ambassador (de Kauffmann) to the Secretary of State*

The Danish Ambassador presents his compliments to the Honorable the Secretary of State and has the honor to inform the Secretary of the following:

As already pointed out in previous notes,[1] the Danish Government considers restrictions of cheese imports into the United States of the nature now implemented incompatible with the international obligations of USA as set out in the GATT-agreement. Since no quantitative restrictions of cheese imports into the United States were in force when the United States signed the GATT-agreement in the autumn, 1947 the United States Government in the view of the Danish Gov-

[1] July 17 and August 1, pp. 1427 and 1430.

ernment must be bound by Section XI of the GATT-agreement not to institute such restrictions. The Danish Government is aware of the fact that Articles XI A, XII, XVIII, IXX and XXI of the said agreement, subject to certain conditions authorize exemptions from the general interdict against quantitative restrictions. It seems, however, that as far as American cheese imports are concerned prevailing conditions do not warrant the rigoristic steps now taken by the United States to limit cheese imports, nor do they bring such steps into harmony with the GATT-agreement.

Failure on the part of the United States to observe international obligations under the GATT-agreement has caused disappointment and concern in Denmark particularly since considerable means and efforts have been invested in an expansion of Danish cheese production in confidence of the encouragement offered by ECA and in the hope through increased dollar earnings to attain the viability aimed at by the Marshall plan.

This concern has been the more aggravated as the period chosen by the United States authorities as a base for the quota arrangement is particularly unfavorable for Denmark.

Denmark's total cheese exports to USA in 1948, 1949 and 1950 were 394, 613 and 1896 tons respectively, out of which Blue Cheese constituted 354, 529 and 1576 tons.

During the American financial year 1950–51 the exports amounted to 2756 tons, out of which Blue Cheese accounted for 2319 tons.

During the first 6 months of 1951 exports totalled 1494 tons, 1259 tons of which were Blue Cheese.

Provided that the importers utilize the quota by buying from the individual exporting countries in the same proportion as has been applied for so far, the above mentioned basis period (1949–50) will result in a reduction of the monthly Danish cheese exports to the United States during the remainder of 1951 to less than ⅓ of the monthly exports during the first 6 months of the current year.

For the purpose of comparison with Denmark's cheese exports to USA prior to the second world war the following information may be given:

In 1937 Denmark's export of cheese to USA—the major part of which was Blue Cheese—totalled 2228 tons and in 1937–40 averaged about 2000 tons per year.

A reduction on basis of the planned base period (1948–50) will consequently curtail the monthly cheese exports from Denmark to USA to about ⅓ of the pre-war level.

The Danish Government feels confident that upon further consideration of the matter the American Authorities will again bring their import regulations into conformity with international obligations. Pending an adjustment of the present regulations to that end

the Danish Government must urge that in order to minimize the damage that will be caused in the meantime the base period be changed forthwith from 1948–50 to the first six months of 1951.

WASHINGTON, August 28th, 1951.

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411.549/8-2851

*Memorandum of Conversation, by Mr. Daniel M. Lyons of the Office of Western European Affairs*

RESTRICTED [WASHINGTON,] August 28, 1951.

Subject: Affect of Andresen Amendment on Exports of Cheese from Switzerland.

Participants: Dr. Fritz Real—Chargé d'Affaires—Swiss Legation
Mr. Harold F. Linder—Acting Assistant Secretary for Economic Affairs
Mr. Daniel M. Lyons—WE

Dr. Real called upon Mr. Linder to present a note [1] protesting the application of the Andresen Amendment to cheeses imported from Switzerland. He pointed out (1) that the trade liberalization program of the OEEC would be affected by the restrictions placed by the U.S. on the imports of cheese, since European countries could see no reason to lower barriers to trade while one of their major markets was raising barriers.

(2) The Swiss Government felt that cheeses of the type manufactured in Switzerland did not fall within the purview of the Andresen Amendment because (*a*) Swiss cheeses were much higher priced than U.S. products and therefore did not interfere with production in the United States and consumption of the U.S. products; (*b*) U.S. imports of Swiss cheeses in 1950 were equal to less than 1% of total U.S. consumption and did not threaten U.S. production; (*c*) the cheeses exported by Switzerland were specialty types not in direct competition with U.S. types.

(3) A quota based on 1948–49–50 imports was not representative of the true situation because Swiss exports had been greatly restricted in 1948 and early 1949 to provide emergency food for Europe.

(4) The type of quota system established by the Department of Agriculture was in contradiction to Article VII of the Swiss-U.S. Trade Agreement of 1936.

In addition Dr. Real observed that while U.S. production of cheeses had practically doubled, U.S. imports of cheese from Switzerland, which had exceeded 11 million pounds in pre-war years, had not even reached 8 million pounds in 1950. Furthermore, the cutback resulting

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[1] Not printed.

from the application of the Andresen Amendment would bring Swiss exports down to 6 million pounds per year.

Mr. Linder received the note and stated that the U.S. was aware of the problems presented by the Andresen Amendment and referring to the President's message to Congress noted that the Administration was attempting to secure its repeal. He stated that the Administration recognized fully that the Amendment was contrary to the spirit of our announced trade policy and that it might well justify compensating concessions on our part under GATT or other treaty obligations. Furthermore, the U.S. would at an appropriate time, give consideration to the possibility of some action to establish a more equitable base period. He stressed that the United States would carefully and sympathetically take into account the position of the Swiss when considering the possibility of remedial measures.

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411.566/8-3051

*Memorandum of Conversation, by Mr. Daniel M. Lyons of the Office of Western European Affairs*

RESTRICTED [WASHINGTON,] August 30, 1951.

Subject: Netherlands Complaint re U.S. Restrictions on Cheese Imports.

Participants: Dr. J. G. de Beus—Minister, Netherlands Embassy
Mr. J. H. J. Van Kretschmar, Netherlands Embassy
Mr. J. Kaufmann, Netherlands Embassy
Mr. Harold F. Linder—Acting Assistant Secretary for Economic Affairs.
Mr. Raymond Vernon—EDT
Mr. Daniel M. Lyons—WE

Dr. de Beus stated that he was under instructions to present a note to the Department placing the views of his government on the record regarding the United States restrictions on imports of dairy products.[1] He pointed out that:

1. The restrictions were harmful to the Netherlands dairy industry.
2. The restrictions reduced Netherlands exports of dairy products.
3. The restrictions will inevitably affect the desire of Netherlands businessmen to expand exports to the United States because of the uncertainty that the United States will permit continuous exports.
4. Netherlands cheese manufacturers have spent large sums to acquire machinery and equipment designed to process and package cheeses according to American tastes. These investments would be lost.
5. The Netherlands stood to lose substantial dollar earnings. The reduction in the earnings would make it more difficult for the

[1] Note dated August 29 not printed.

Netherlands to solve its dollar problem and the Netherlands preferred to earn dollars than to receive them under grants or loans from the United States.

6. The restrictions impaired the value of certain tariff concessions obtained under GATT and that they might request adjustments under Article XXIII.

Mr. Linder replied that the position of the Administration in this matter was very clear and expressed the hope that legislation would be passed which would repeal the section of the DPA under discussion. He observed that the Administration was doing everything in its power to demonstrate to the agricultural groups that the present legislation was not in their broad interest. Mr. Linder stated that every effort would be made to improve the situation.

Dr. de Beus in a further statement pressed the point that his government was not concerned with the rationale on which the base period was established or other administrative provisions, but rather that the restrictions were being objected to on principle. The only remedial action he could see was repeal of the section of the DPA which made these restrictions possible.

In discussing the legal aspects of the case, Mr. Kaufmann asked why the President had delegated his authority to the Secretary of Agriculture when the DPA *clearly* gave him the final authority and he presumably could have prevented the implementation of the disputed clause. Mr. Linder stated that the legal authorities had informed him that the Secretary of Agriculture had full competence over the administration of the clause.

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411.426/8–3051

*The Counselor of Embassy in Canada (Willoughby) to the Director of the Office of Economic Defense and Trade Policy (Leddy)*

CONFIDENTIAL
OFFICIAL—INFORMAL

OTTAWA, August 30, 1951.

DEAR JOHN: During an informal conversation with Claude Isbister, Chairman of the Canadian Delegation to the forthcoming GATT meeting, he urged that an early response be given to the note of the Canadian Government [1] protesting the recently announced import restrictions under the Andresen amendment to the Defense Production Act. He pointed out that Parliament reconvenes early in October and said that the Government will have to have a satisfactory answer to charges, that presumably will be made during the debate on the Speech from the Throne, to the effect that Canada granted valuable concessions at Torquay in exchange for ones from the United

[1] Dated August 27, p. 1439.

States that are valueless because they may be withdrawn unilaterally.

The Government is on the spot because Hector McKinnon emphasized during hearings on the results of Torquay that rates were bound for three years and that it was unthinkable that the United States would unilaterally violate its agreement. Mr. McKinnon also testified, in response to questions, that the Government could, if the United States did nullify any of its concessions, make compensatory withdrawals without waiting for further authority from Parliament. Under the circumstances Dr. Isbister does not think it a sufficient defense against political attacks for the Government to say that a protest has been lodged.

I expressed a personal opinion that the United States could not, if an answer to the note were drafted at the present time, say much more than that the President had recommended repeal of the Andresen amendment and that his recommendation was under consideration by Congress. I agreed, nevertheless, to explain to the appropriate authorities in Washington the importance to Canada of receiving an answer to its note at an early date.

Thinking out loud, as he expressed it, Claude Isbister suggested that Canada might, if Congress did not repeal the Andresen amendment in the immediate future, be obliged to take retaliatory action before GATT CP's had time to act on a complaint. On this point I questioned whether such a procedure would conform to Article XXIII.

In view of the passage of the resolution recommending an embargo on Czech trade are we going to be able to defer action until the CP's act on our request for a waiver?

Sincerely, WOODY

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411.006/8-3051

*The French Embassy to the Department of State*

**Translation**

WASHINGTON, August 29 [*30?*], 1951.

The French Embassy in the United States presents its compliments to the Department of State and has the honor of referring to the restrictive measures taken by the Secretary of Agriculture by virtue of Section 104 of the Act entitled "Defense Production Act of 1951".

Among these measures, the establishment of a quota on imported cheese causes a serious prejudice to French exporters of Roquefort cheese. The quota established by the Department of Agriculture for imports of Roquefort cheese into the United States during the period of August 9, 1951 to June 30, 1952 is based on the average imports of 1948, 1949 and 1950. Its inforcement will result in reducing the

sales of Roquefort cheese to about 650 short tons (annual base), whereas they reached 800 short tons in 1950, the latter figure being still inferior to that of 1200 short tons imported in 1937 and 1938.

In anticipation of the consequences which such restrictive measures may have on the trade between France and the United States, this Embassy deems it necessary to precise the following points, several of which have already been mentioned in its note of July 13, 1951:—

1. Roquefort cheese is an exclusively French luxury article, and its price is more than double that of blue cheese of American manufacture. It should not be considered as a product directly competing with American blue cheese, the latter being manufactured from cow's milk, whereas Roquefort is made from sheep's milk.

2. As indicated above, the imports of Roquefort cheese into the United States have not as yet recovered their prewar level: whereas they were around 2,390,000 lbs. in 1937 and in 1938, they could not be resumed in 1945, owing to the food situation in France. They were as follows in the past few years:

| | | |
|---|---|---|
| 1948 | 852,475 | lbs. |
| 1949 | 1,393,097 | " |
| 1950 | 1,640,891 | " |
| 6 months 1951 | 800,524 | " |

The fact that the quota established by the Secretary of Agriculture is based on the last three years constitutes a new element which places Roquefort in a rather unfavorable position, as compared to other foreign cheeses.

3. The institution of these quantitative restrictions is contrary to the provisions of the GATT.

*a*) None of the exceptions provided for in Article XI could be invoked: the decision to place imported cheese under quota is not designed to permit the enforcement of measures which operate:

—to apply "standards or regulations for the classification, grading or marketing of commodities in international trade" (2 b);

—"to restrict the quantities of the like domestic products permitted to be marketed or produced" (2 c) (i);

—to remove "a temporary surplus of the like domestic products by making the surplus available to certain groups of domestic consumers free of charge, or at prices below the current market level" (2 c) (ii). Even if the competing foreign cheeses should eventually create a surplus which would have to be removed, the Defense Production Act provides methods entirely different from those of paragraph 2 c (ii) of the above mentioned article.

*b*) The quota which has just been instituted could be justified only by article XII. The latter permits the application of import restrictions. However, it only gives this latitude in order to safeguard the external financial position and balance of payments.

It seems unnecessary to insist on the fact that the measure referred to in this note has been taken by a creditor country against its debtors, which, on the other hand, it encourages to increase their receipts in dollars.

In short, the quota which has been instituted against the importations of cheese in the United States constitutes a new obstacle to the development of exchanges. This measure is contrary, not only to the text of the General Agreement, but also to its spirit.

Consequently, the French Embassy would be obliged to the Department of State if it would take into consideration the above mentioned points, and would highly appreciate it if the Government of the United States would reconsider the present quota system and also make representations to the Department of Agriculture, with a view toward obtaining from the latter a less rigorous application of the provisions of Section 104 of the Defense Production Act of 1951.

The attention of the Department of State is also called to the fact that in case no improvement of the present status of French cheese imports in the United States should take place before the meeting of the Contracting Parties of the GATT, which is to be held at Geneva, starting September 17, 1951, the French Government would very likely deem it necessary to request the Executive Secretary of the Interim Commission for International Trade Organization to place this question on the agenda of its next session.

The French Embassy takes this opportunity to present to the Department of State . . .

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411.436/9-1151

*The Australian Embassy to the Department of State*

WASHINGTON, September 11, 1951.

AIDE-MÉMOIRE

The Australian Government has considered the terms of Section 104 of the Defence Production Act as amended and has noted the statement of 9th August, 1951, by the United States Secretary of Agriculture in which were set out decisions regarding the restriction of imports of agricultural products into the United States.

The United States Government will recall that the Australian Ambassador in Washington on the 23d September, 1949, 7th October 1949 and 6th June, 1950, addressed notes to the Secretary of State regarding the prohibition of the import of butter into the United States which was then being maintained under the second War Powers Act.[1] The Australian Government was much concerned that the import controls previously applied under that Act which was understood to be temporary in character should now be continued and in some respects extended in scope under the Defence Production Act.

Australia's interest in this matter relates to butter, cheese and dried

[1] Notes not printed. The statutory provision for extending certain import controls under the Second War Powers Act is in P.L. 69, June 30, 1951, 65 Stat. 110.

milk. With respect to butter, the United States prohibition of imports has nullified the tariff concession negotiated jointly by New Zealand and Australia at Geneva in 1947 and has hindered the formulation of a balanced external marketing policy for Australian butter.

Australia is interested in the export of cheese to the United States in the Australian summer period and the Australian Government would be pleased to receive assurances that import licenses will be forthcoming if applied for by United States importers.

It has been noted that no import restriction has been applied to full cream milk powder. However, so long as this product appears in the list of commodities which may be restricted under the Defence Production Act, the development of the trade will be hindered.

The Australian Government is disappointed that the Government of the United States has not allowed its previous agricultural import controls to lapse but is continuing and tightening them. The Australian Government hopes that the United States Government will be able to offer assurances that Australian exports to the United States of the products referred to above will not be impeded.

It is requested that this *aide-mémoire* be regarded as the commencement of consultations between the United States and Australian Governments in the sense of Article XXII of the General Agreement on Tariffs and Trade, and the Australian Government would be glad to receive advice as to how the United States authorities regard the measures now under discussion in relation to the provisions of the General Agreement.

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411.656/8–1551

*The Department of State to the Italian Embassy*[1]

MEMORANDUM

The Department of State acknowledges the receipt of the memoranda from the Italian Embassy, dated July 14 and August 15, 1951, requesting the Department of State to give its attention to the recent imposition of restrictions on imports of fats, oils, cheese, and certain other dairy products with a view to avoiding any unfavorable repercussions in the trade relations between Italy and the United States.

The Embassy pointed out the adverse effects the restrictions are likely to have on the Italian economy. The Embassy expressed its belief that restrictions are not required under the law with respect to sheep's milk cheeses, that they are not in conformity with Article XI of the General Agreement on Tariffs and Trade, and that they tend to im-

[1] The same reply, *mutatis mutandis*, was transmitted also to other Embassies as follows: Canada (September 21), the Netherlands (September 24), New Zealand (September 26), and Denmark (September 27).

pair or nullify tariff concessions which the United States has granted Italy in return for concessions extended by Italy to the United States.

Section 104 of the Defense Production Act was, as is known, enacted into law on July 31, 1951, and, in accordance with its provisions, the Secretary of Agriculture on August 9 imposed import restrictions on fats, oils, cheese and other dairy products. The application of the restrictions was subsequently modified to provide that the quotas for cheese be allocated according to country of origin. Shares allotted are proportionate to the trade accounted for by the individual supplying countries in the base period 1948–50.

Following enactment into law of the Defense Production Act Amendments of 1951, the President, on August 25, recommended to Congress changes in the legislation. In his message to Congress, the President asked for prompt repeal of Section 104 of the Defense Production Act, which section requires the imposition of restrictions on fats, oils, and certain dairy products. The President noted that these restrictions run counter to the United States policy of reciprocal trade agreements. Assistant Secretary of State Thorp and Under Secretary of Agriculture McCormick also testified before the Senate Committee on Banking and Currency on August 31 in support of the President's request for repeal of Section 104. S. 2104, a bill to repeal Section 104, has been introduced in Congress by the Chairman of the Senate Committee on Banking and Currency.[2]

The Department of State understands the concern of the Italian Government with respect to the imposition of the restrictions on fats, oils, and certain dairy products, will continue to make every effort to have the situation remedied, and will continue to give sympathetic consideration to the representations of the Italian Government in this matter.

WASHINGTON, September 27, 1951.

[2] S. 2104 was introduced on September 7. Hearings on the bill began on September 13. The bill was reported out by the Committee on September 20 with a recommendation that Section 104 be repealed. (Senator Burnet R. Maybank, South Carolina, was the Committee Chairman.)

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411.436/9–1151

*The Secretary of State to the Australian Ambassador (Spender)* [1]

The Secretary of State presents his compliments to His Excellency the Ambassador of Australia and has the honor to refer to the Embassy's *aide-mémoire* dated September 11, 1951 concerning the imposi-

[1] A chit attached to the record copy of this note reads in part: "The attached note in reply to the Australian note on cheese . . . differs somewhat from our previous replies in that it answers directly the question posed by the Australians about our attitude on the matter of GATT violation." (411.436/9–1151).

tion of import restrictions by the United States on fats, oils, and certain dairy products. The Embassy stated that the restrictions nullify the tariff concessions on butter negotiated jointly by Australia and New Zealand. It also expressed the desire of the Australian Government to be assured that import licenses would be forthcoming for cheese if applied for by United States importers and to be assured that Australian exports to the United States of the dairy products referred to in the *aide-mémoire* would not be impeded. The Embassy requested that the *aide-mémoire* be considered the commencement of consultations in the sense of Article XXII of the General Agreement on Tariffs and Trade and asked how the United States authorities regard the measures in relation to the General Agreement.

Section 104 of the Defense Production Act was, as is known, enacted into law on July 31, 1951, and, in accordance with its provisions, the Secretary of Agriculture on August 9 imposed import restrictions on fats, oils, cheese, and other dairy products. The application of the restrictions was subsequently modified to provide that the quotas for cheese be allocated according to country of origin. Shares allotted are proportionate to the trade accounted for by the individual supplying countries in the base period 1948–50.

Following enactment into law of the Defense Production Act Amendments of 1951, the President, on August 23, recommended to Congress changes in the legislation. In his message to Congress, the President asked for prompt repeal of Section 104 of the Defense Production Act, which requires the imposition of restrictions on fats, oils and certain dairy products. S. 2104, a bill to repeal Section 104, has been introduced in Congress by the Chairman of the Senate Committee on Banking and Currency. This Committee has reported favorably on this legislation.

With respect to the request of the Government of Australia to be advised as to how the United States authorities regard the restrictions in relation to the provisions of the General Agreement on Tariffs and Trade, it might be noted that the President, when asking the Congress to repeal Section 104, stated that the restrictions run counter to the United States policy of reciprocal trade agreements. It might also be pointed out that Assistant Secretary of State Thorp and Under Secretary of Agriculture McCormick testified before the Senate Committee on Banking and Currency on August 31 in support of the President's request for repeal of Section 104. On this occasion Mr. Thorp stated that "the restrictions required by Section 104 appear to the Department clearly to violate the provisions of the General Agreement on Tariffs and Trade".

The Department of State understands the concern of the Government of Australia over the imposition of the restrictions pursuant to Section 104, will continue to make every effort to have the situation

remedied, and will continue to give sympathetic consideration to the representations of the Government of Australia in this matter. In this connection, it might be pointed out that there has been placed on the agenda of the Sixth Session of the Contracting Parties to the General Agreement, now in progress in Geneva, an item on the restriction on the importation of dairy products into the United States. Should the Government of Australia so desire, the United States delegation to the Sixth Session will be prepared to consult on this matter with the delegation of Australia in Geneva.[2]

WASHINGTON, September 28, 1951.

[2] The Sixth Session of the Contracting Parties to GATT convened at Geneva, Switzerland, on September 17, 1951. For the composition of the United States Delegation, see Department of State *Bulletin*, October 1, 1951, p. 553. Willard L. Thorp, Assistant Secretary of State for Economic Affairs was Delegation Chairman, and John L. Leddy, Acting Director, Office of Economic Defense and Trade Policy, was Vice Chairman. Files of the United States Delegation are located in GATT Files, Lot 63 D 134, Box 268, and Lot 66 D 209, Box 454 (FRC Accession Nos. 65A987 and 71A6682, respectively).

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394.31/9–2551 : Telegram

*The United States (GATT) Delegation to the Secretary of State*

RESTRICTED GENEVA, September 25, 1951—4 p. m.

Tagg 29. Summary number 6.[1] Netherlands-Danish complaint against US import restrictions on dairy products strongly supported by Italy, New Zealand, Norway, Australia, France, Canada and Finland. They were all gravely concerned, not only with the nullification and impairment of concessions, but more importantly with serious implications of violation of principles of agreement. Number dels indicated matter of importance as test case GATT's effectiveness. Also questioned whether it meant basic change US foreign economic policy. Netherlands and Norway pointed out action had effect of hindering their attempts to become independent of outside economic aid; Netherlands and France pointed to the curtailment of US exports that had resulted. Although not directly affected, UK and Sweden felt matter of fundamental importance and urged prompt and effective action. Czechoslovakia expressed view that action clearly violation.

Thorp expressed regret situation had arisen and presented in detail legislative history. He stressed that vigorous efforts being made by executive branch to obtain repeal of measure which clearly wld be happiest solution problem. If it becomes apparent these efforts not likely to be successful, US Govt wld anticipate entering immediately

[1] This was a daily telegraphic summary of the United States Delegation to the Sixth Session of the Contracting Parties at Geneva. For the composition of the United States Delegation to the Sixth Session, see footnote 2, *supra*.

into appropriate consultations with interested govts. He emphasized this particular incident must not be interpreted as indicating basic change in US foreign economic policy, and cited trade agreements act renewal as indication of legislative intent this area. He also pointed to McCormick's [2] and his statements in hearings [3] as indication executive intent.

In summarizing, chairman stated discussion revealed general agreement that section 104 not in conformity with Art XI. If US executive branch's efforts to obtain modification of section not successful, matter shld be brought up under Art XXIII and possibility of withdrawing concessions from US considered. Canadian del indicated if situation not corrected it may still lodge complaint this session seeking retaliatory action. CPs agreed to note Thorp's explanatory statement, await further developments and retain item on agenda this session, and if necessary, also on next.

[Here follows discussion on another matter.]

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[2] Clarence J. McCormick, Under Secretary of Agriculture.
[3] Regarding those hearings, see footnote 2, p. 1449.

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394.31/9-2651 : Telegram

*The United States (GATT) Delegation to the Secretary of State*

SECRET PRIORITY GENEVA, September 26, 1951—8 p. m.

Tagg 38. CanDel informs Canad press reported them threatening reprisals to Section 104 in speech here.

Their statement was friendly. Fol is text of relevant portion:

"My govt is at present in consultation with the Govt of the US as envisaged under Art XXIII of the GATT when problems of this kind arise. We have been gratified to note the constructive message addressed by the Pres of the US to Congress asking for the repeal of the Andresen amendment. We have been pleased to note the prompt steps subsequently taken by the US admin and the Senate to deal with this matter. I should like to request that this item be retained on the agenda of this session of the contracting parties for possible action at a later date. Depending on the course of events during the next few weeks, my del may wish (at this point the phrase "may wish" was repeated with emphasis) to lodge a complaint and seek the approval in principle of the contracting parties to measures of retaliation against the US. We are not prepared to lodge a complaint against the US at the present time nor shall we do so unless we are convinced that our direct consultations with the US have become ineffective. On the other hand, if my govt should find it necessary to proceed with a formal complaint at this session, my del wld attempt to bring it before the contracting parties at a sufficiently early date to make possible the consideration of this matter at the present session of the contracting parties".

**894.31/10-551 : Telegram**

*The Acting Secretary of State to the United States (GATT) Delegation*

CONFIDENTIAL WASHINGTON, October 5, 1951—2:14 p. m.

Gatt 71. Re Sec 104. Position paper (D-249)[1] pouched Wed Oct 3 contains fol recommendations: 1. USDel shld request postponement discussion of matter as relates US GATT obligations pending outcome repeal action. 2. US shld, however, indicate willingness to discuss any specific problems from application Sec 104 and to consult individually as under Art XXII and Art XXIII para 1. Some consultations already held in Wash since enactment. Further consultations wld be facilitated if also held in Wash with US officials incl those responsible for admin Sec 104.

TAC approved recommendations subj fol interpretation of recommendation two: Not intended to forestall discussions by USDel in Geneva if under such pressure that in good faith Del has to conduct consultations. Del shld realize, since admin quotas [*sic*] in Wash, most effective place for representations wld be Wash.[2]

Minor textual changes being pouched.

[Here follows item on another matter.]

WEBB

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[1] Doc. TAC-D-249/51, October 1, 1951, not printed. This was a position paper for the instruction of the United States Delegation to the Sixth Session of the Contracting Parties at Geneva, approved by the Inter-Departmental Committee on Trade Agreements (TAC). It was entitled "United States Position on Import Controls under Section 104 of the Defense Production Act of 1950", as amended. The first two pages of the paper were a confidential instruction to the Delegation, the gist of which is summarized in this telegram. The rest of the paper consisted of a 13-page attachment setting forth in detail recent United States import control legislation with particular reference to the application of controls under Section 104, accompanied by much and detailed tabular information.

Two statements are of interest. In the last paragraph (paragraph numbered 6) of the two-page instruction, TAC admonished:

"6. In pointing out the efforts made to get Congress to repeal Section 104, the Delegation should not, however, suggest that this would mean the end of import controls for all the commodities now being controlled under Section 104. They should bear in mind that some of these controls might be reimposed under other legislative provisions such as Section 101 of the Defense Production Act. Section 22 of the Agricultural Adjustment Act, or under the Escape Clause provisions of the Trade Agreements Extension Act."

In the informational part of the paper under the section headed "Cheese", the following occurs:

"As regards the inclusion of cheese within the provisions of Section 104, it may be noted that the recent substantial increase in imports of most types of cheese in combination with the recent decreases in United States production of most types of cheese, and the possibility that the Department of Agriculture would have to purchase substantial supplies of cheddar cheese under the price support program, would, in the opinion of the Department of Agriculture, bring about one or more of the results set forth in Section 104."

[2] A handwritten notation on the title page of the position paper reads: "Approved by TAC 10/4 (as recommendations interpreted by Chairman and accepted by Agriculture)". (GATT Files, Lot 66 D 209, Box 454, "Position Papers Gatt VI")

394.31/10-1051 : Telegram

*The Secretary of State to the United States (GATT) Delegation*

RESTRICTED WASHINGTON, October 10, 1951—5:47 p. m.

Gatt 85. Mtg some problems with Sec 104 repeal. Not scheduled come up this week but still assured will come up in Senate before end session. Doing utmost get Senate action earliest.

ACHESON

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394.31/10-1851 : Telegram

*The Secretary of State to the United States (GATT) Delegation*

RESTRICTED WASHINGTON, October 18, 1951—5:41 p. m.
PRIORITY

Gatt 104. House Banking and Currency Comite has scheduled hearings Oct 19 on repeal Sec 104. Thorp and McCormick, Agric, will testify. Efforts continuing to get Senate action. House hearings may help in getting Senate action.

Congress, however, pushing for adjournment by night October 19. If Congress adjourns, then, chances getting repeal Sec 104 practically nil. If it does not, we still have fighting chance.

ACHESON

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394.31/10-2051 : Telegram

*The Secretary of State to the United States (GATT) Delegation* [1]

CONFIDENTIAL WASHINGTON, October 20, 1951—3:22 p. m.
PRIORITY

Gatt 110. For Leddy.

1. Fulbright [2] made half hour presentation of case for repeal of Sec 104 in Senate Fri, but bill was not brought to vote, in face of objections some Senators and threat of delayed adjournment.

2. Present understanding is bill will have high priority in Senate in Jan, possibly among first two bills for floor presentation.

3. In House, Spence [3] heard Agr testify for repeal, then discontinued hearings Sat morning because of Senate action.

4. Wld appreciate immed appraisal of likely course of action by complainant countries. Will they insist on agreed compensation this session? If so, in what form? Or will they be content to negotiate intersessionally?

ACHESON

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[1] Repeated to Ottawa for information as 113.
[2] Senator J. William Fulbright (D.-Ark.).
[3] Brent Spence (D.-Ky.), Chairman of the House Banking and Currency Committee.

394.31/10-2351 : Telegram

*The United States (GATT) Delegation to the Secretary of State*

CONFIDENTIAL GENEVA, October 23, 1951—11 p. m.
PRIORITY

Tagg 109. Fol is text draft resolution re cheese drafted by Canad and agreed to by several other dels. Apparently because strong polit pressure that may develop in Canad for unilateral action before next session, Canad desire not use language implying action under Art XXIII, para 2 cld not be taken unilaterally without prior CP sanction. Though USDel cannot accept interpretation permitting unilateral action, willing consider res along these lines, probably merely referring rights under Art XIII, para 2 rather than withdrawal concessions determined appropriate. Any comments desired soonest.

"The contracting parties.

"Taking note of statement made on Sept 24 by US rep on Section 104 of US Defense Production Act under which the US Govt has imposed restrictions on importation into US of a number of dairy products;

"Taking note with satisfaction of strong determination on part of the Exec Branch of US Govt, as indicated in this statement, to seek repeal of Section 104 of US Defense Production Act, and of vigorous efforts which it has made with a view to speedy action;

"Taking note of further statement on Oct blank by US rep reporting that, in spite of these efforts, US Congress had concluded its blank session before it cld address itself to repeal of Section 104;

"Recognizing that concessions granted by US Govt and guaranteed to all CPs under the gen agmt have been nullified within the meaning of Art XXIII of the gen agmt;

"Recognizing that a large number of CPs have suffered serious damage as result of this nullification;

"Recognizing further that import restrictions in question constitute an infringement of Art XI of general agreement, and that any CP concerned has right to suspend, in accordance with para 2 of Art XXIII, such obligations or concessions under the general agreement as are determined to be appropriate in the circumstances;

"Resolve, without prejudice to right of any CP to take action in accordance with provisions of para 2 of Art XXIII,

"To counsel the CPs affected, in view of continuing determination of the Exec Branch of US Govt to seek repeal of Section 104 of US Defense Production Act and the high priority which it has stated it will give to this matter at opening of next session of US Congress, to afford to US Govt a reasonable period of time, as it has requested, in order to rectify situation through repeal of Section 104 of US Defense Production Act; and

"To request US Govt to report to CPs at as early a date as possible, and in any case not later than opening of seventh session of CPs, on action which it has taken.

394.31/10-2451 : Telegram

*The Secretary of State to the United States (GATT) Delegation*[1]

RESTRICTED WASHINGTON, October 24, 1951—10:14 p. m.
NIACT

Gatt 124. For Leddy—deliver before 9 AM Oct 25.

1. State and Agr believe text resolution on Section 104 acceptable. Have no objection reference possible withdrawal concessions or other GATT obligations so long as clear such withdrawals cannot be made unilaterally. As we read resolution, we believe adoption res in present form would not prejudice our position unilateral withdrawal not permitted under resolution. If you feel our conclusion incorrect, suggest Del either (*a*) make statement in plenary or WP report (if there is one) indicating our interpretation res does not permit unilateral withdrawal, or (*b*) seek modification language res make this point clear. If Canadian or other dels assert in private discussion that res would permit unilateral action, USDel should in such discussion make clear its contrary interpretation res. USDel should seek to avoid Canadian or other dels making any statement in record supporting interpretation permitting unilateral withdrawals. If they should put such statement into record, USDel should record its contrary view.[2]

[Here follows instruction on another subject.]

ACHESON

[1] Repeated to Ottawa as 118.

[2] At the close of the Sixth Session on October 26 the Contracting Parties noted regarding this matter:

"1) that the concessions granted by the United States to several contracting parties had been nullified; 2) that the circumstances are serious enough to justify a number of the contracting parties in withdrawing concessions which they had granted to the United States; and 3) that the Executive Branch of the United States Government intended to seek repeal of Section 104. Without prejudice to the right of any contracting party to seek redress, the Contracting Parties advised those countries affected to wait a reasonable time for the situation to be rectified through the repeal of Section 104 and asked the United States Government to report not later than the opening of the Seventh Session on action taken."

(Report to the Secretary of State by the Chairman of the United States Delegation to the Sixth Session of the Contracting Parties to the General Agreement on Tariffs and Trade, held at Geneva, Switzerland, September 17–October 26, 1951, GATT Files, Lot 63 D 134, Box 268, "Miscellaneous Data GATT VI") (GATT Doc. GATT/CP.6/51, 25 October 1951, GATT Files, Lot 66 D 209, Box 454)

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411.656/11-2451

*The Italian Embassy to the Department of State*[1]

No. 12682

The Italian Embassy presents its compliments to the Department of State and has the honor to bring the following to its attention.

[1] Initialed by the Italian Ambassador.

The Embassy has been informed that the California Oil Association made representations to the United States Department of Agriculture requesting the adoption of quantity restrictions on imports of olive oil, under the provisions of Section 104 of the Defense Production Act, as amended.

It has also come to the Embassy's knowledge that the California Oil Association intends to invoke the "escape" and "peril" clauses for an increase of the tariff protection, which would curtail the imports of olive oil from abroad.

Since olive oil is one of the most important and traditional among the Italian imports to the United States, the Embassy deems it necessary to call the attention of the Department of State on the serious consequences which would derive to the Italian economy and to Italian-American trade if restrictive measures were adopted also in regard to this most typical Italian product.

In this respect the Italian Embassy wishes to point out the following circumstances:

1) Italy has already a trade unbalance of several hundred million dollars as a consequence of the persistent excess of American exports over imports of Italian goods. Any measure tending to increase this unbalance would be in contrast to the strenuous efforts made toward the restoration of a freer flow of trade, more than ever essential at this time to the economic stability and strength of democratic nations.

2) Olive oil constitutes one of the few Italian agricultural sources of foreign exchange earnings. Continuous export of this product is essential to Italy in order to obtain less expensive vegetable oils needed for her domestic consumption. The dollars Italy acquires from the exports of olive oil are entirely spent in the purchase of soy beans, soy oil and other oil seeds in the United States, which is a traditional source used by Italy in procuring supplies of these products in the substantial quantities required.

3) Italian olive oil, refined and packed in Italy, has earned through many years a position of well deserved prestige with American consumers. A large market for olive oil has thus been built in the United States for olive oil of high quality. Imports of Italian olive oil in this country have, therefore, in no way endangered, rather, they have favored domestic production by stimulating a taste for it, to the advantage of the producers of California. It is to be noted that American production of olive oil has not diminished, but has remained almost stationary in the last fifty years, due to natural limitations of soil and climate.

As to the application of Section 104 of the Defense Production Act, the Italian Embassy feels that the same observations and reservations hold which were already formulated by its *Note Verbale* No. 9205 [2]

[2] Dated August 15, p. 1433.

regarding the importation of cheese and deems it necessary to point out that also from a juridical point of view, none of the conditions contemplated by Section 104 for the control of imports subsists in the case of olive oil. In fact:

*a*) imports of olive oil have not reduced domestic production;
*b*) they do not interfere with the orderly domestic storing and marketing of any such commodity or product, and
*c*) they do not result in any unnecessary burden or expenditure under any government price-support program, since—as far as olive oil is concerned—no controls, marketing regulations or price-support programs have been enacted by the United States Government.

The Italian Embassy is sending herewith enclosed an informal Memorandum [3] about Italian olive oil production and exports, illustrating also the considerable imports into Italy, yearly, of agricultural products from the United States.

In regard to a possible increase of duty on olive oil obtained by having recourse to the "escape clause" mentioned above, the Italian Embassy wishes to call the attention of the State Department to the fact that none of the circumstances contemplated in Article XIX of GATT exist in this case and that any increase of duty on imports of olive oil will be considered as a violation of the recent multilateral tariff agreements signed at Geneva, Annecy and Torquay.

The Italian Embassy has the honor to request that the foregoing be kindly brought by the Department of State to the knowledge of the competent United States Authorities and thanks in advance for its cooperation in the matter.

WASHINGTON, November 24, 1951.

[3] Not printed.

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740.5–MSP/1–1852

*The Netherlands Ambassador (van Roijen) to the Secretary of State*

The Netherlands Ambassador presents his compliments to the Honorable the Secretary of State and has the honor to inform him of the following:

The existence of section 104 of the Defense Production Act is a source of continuing concern to the Netherlands Government and to the Netherlands business community and public in general. Press comments in the Netherlands continue to stress the contradiction between United States efforts to promote multilateral world trade on the one hand and the existence of the present import restrictions which are in no way related to defense production on the other. Thus, these restrictions tend to cause increasing doubts among the Netherlands public as to the basic aims of United States policies towards Europe in gen-

eral and as to United States support of endeavours to close the Netherlands dollar gap in particular.

In conformity with the resolution adopted at the sixth session of the Contracting Parties of the General Agreement on Tariffs and Trade the Netherlands have abstained from taking measures of a compensatory nature. It is sincerely to be hoped that the need for any such measures will soon entirely cease to exist by early repeal by the United States Congress of section 104.

That repeal will be an important factor in restoring the faith of the Netherlands people in United States leadership in international economic matters and in the sincerity of the United States aim of strengthening the European defense effort.

WASHINGTON, January 18, 1952.

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411.656/11-2451

*The Department of State to the Italian Embassy*

MEMORANDUM

The Department of State acknowledges the receipt of the Italian Embassy's memorandum of November 24, 1951 concerning possible restrictions on United States imports of olive oil. The Embassy's note expresses particular concern over the possibility that the United States might adopt quantitative restrictions on imports of olive oil under the provisions of Section 104 of the Defense Production Act of 1951, or invoke the "escape clause" (Article XIX) of the General Agreement on Tariffs and Trade in order to increase the rates of duty on edible olive oil.

The Embassy's note has received close study in the Department and its contents have been discussed orally by an officer of the Department with an officer of the Embassy. With respect to possible action on olive oil under Section 104 of the Defense Production Act, the Department of Agriculture has informed the Department of State that there is no plan or intention to bring olive oil under Section 104 at this time. The Department of Agriculture announced on January 7 the establishment of a price support program for the 1951 domestic crop of olive oil. A copy of the announcement is enclosed.[1] No restrictions are placed on imports of olive oil in connection with this price support program. As the Department of State has indicated previously, the Administration is continuing its efforts to obtain repeal of Section 104 and will oppose vigorously the extension of its provisions beyond the present termination date of June 30, 1952.

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[1] Not printed.

With respect to possible action under the escape clause (Article XIX) of the General Agreement on Tariffs and Trade, it is the practice in this country for the United States Tariff Commission to make an investigation before any action is taken, in order to determine whether or not the domestic industry concerned has been seriously injured or is threatened with serious injury in accordance with the provisions of the escape clause. The Tariff Commission is required by law to conduct an investigation upon the application of any interested party. To date, the Commission has received no application for an escape clause investigation on olive oil.

It is apparent from the foregoing that no import restrictions have been applied by this Government on olive oil and none are pending at this time. The Department of State has noted the Embassy's concern with respect to any possible future restrictions and has conveyed the Embassy's views on this subject to the interested agencies of this Government.

WASHINGTON, March 20, 1952.

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*Editorial Note*

The following documents relate to the foreign policy aspects of the problem of the requirements of Section 22 of the Agricultural Adjustment Act of 1933, as amended (Act of July 3, 1948, 62 Stat. 1247) vis-à-vis the international obligations of the United States under the General Agreement on Tariffs and Trade (GATT). The first documents, which antedate the year 1951, describe the elements and purpose of the Section 22 provisions and the foreign economic policy questions raised by it. The latter documents focus on the legislation of 1951 and on a specific diplomatic *démarche* made to the United States Government by one of the Contracting Parties to GATT, apprehensive of prospective Section 22 action by the United States.

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International Trade Files, Lot 57 D 284, Box 164, "Magnuson Amendment"

*Undated Memorandum Prepared in the Department of State* [1]

EXECUTIVE AUTHORITY TO IMPOSE IMPORT RESTRICTIONS ON AGRICULTURAL PRODUCTS UNDER SECTION 22 AS AFFECTED BY THE GENERAL AGREEMENT

A question has been raised concerning the scope of the present authority of the President to apply import restrictions on farm prod-

[1] Internal evidence indicates that this memorandum was drafted in the latter half of the year 1948, and definitely after the enactment of the Agricultural Act on July 3, 1948.

ucts pursuant to Section 22 of the Agricultural Adjustment Act of 1935, as amended, in view of the provisions of the General Agreement on Tariffs and Trade, which the United States is applying under the Protocol of Provisional Application.

Section 22 provides that whenever the President finds that imports are entering the United States so as to render or tend to render ineffective or materially interfere with any of a variety of agricultural programs, he shall, following an investigation and finding by the Tariff Commission, proclaim additional import fees or quantitative import limitations, within specified limits, necessary to prevent imports from rendering or tending to render ineffective or materially interfering with the programs in question. In July 1948 the number of programs covered by the Section was increased and at the same time a subparagraph was added providing as follows:

"(*f*) No proclamation under this section shall be enforced in contravention of any treaty or other international agreement to which the United States is or hereafter becomes a party."

The international agreements to which the United States is and was at that time a party include the General Agreement on Tariffs and Trade, which was concluded on October 30, 1947 and to which thirty-two countries are now parties. This Agreement prohibits, with certain exceptions not here material, the use of quantitative restrictions on agricultural imports (import quotas) except when necessary to the enforcement of governmental measures restricting the production or marketing of like or substitutable domestic products or when necessary to the enforcement of governmental measures for the removal of a temporary surplus of a like or substitutable domestic product by making the surplus available to certain groups of consumers free of charge or at prices below the current market level.

The General Agreement is currently being applied by the United States under a Protocol of Provisional Application signed October 30, 1947 which contains the following language:

"1. The Governments . . . [enumeration of certain states, including the United States] [2] undertake . . . to apply provisionally on and after January 1, 1948:

"(*a*) Parts I and III of the General Agreement on Tariffs and Trade, and

"(*b*) Part II of that Agreement to the fullest extent not inconsistent with existing legislation."

Since the provisions respecting limitations on the use of quotas are found in Article XI in Part II of the General Agreement, a question arises as to the extent to which the United States is bound by those provisions in its use of Section 22, which at the time of conclusion of

[2] Ellipses and brackets appear in the source text.

the General Agreement was entirely mandatory and contained no provision giving precedence to international agreements, subparagraph (*f*) having been added to Section 22 by Act of July 3, 1948.*

The answer is clear upon examination of the record. Paragraph 1 (*b*) of the Protocol of Provisional Application was adopted by the countries which negotiated the General Agreement solely to expedite the fullest possible application of the Agreement without waiting upon the modifications of domestic law which various countries would have to secure in order to give full definitive effect to the Agreement. The Protocol was not intended as a permanent modification of the obligations of those countries whose existing legislation rendered them unable to apply fully at that time the provisions of Article XI or other articles in Part II. The object was, rather, to avoid placing any party in the position of either having to take action contrary to a domestic law which antedated the Agreement or being forced to apply such an existing domestic law, contrary to the Agreement itself. Thus, the Protocol, which was not expected to be the basis for application of the Agreement for as long a period as it has been, included Paragraph 1 (*b*) for the purpose of placing a ceiling upon the extent to which any party subject to conflicting requirements of then-existing domestic legislation might deviate from the provisions of the Agreement. It was not intended to freeze the extent of any country's application of the Agreement to that extent which may have been possible in the light of existing domestic laws at the time of concluding the Agreement, but to provide a transitional period during which domestic laws might be brought into full accord with the Agreement.

The amendment of Section 22 by the United States in 1948 to give precedence to international agreements to which the United States is or may become a party was precisely an action looking toward fuller application of the General Agreement on our part than was originally possible under domestic laws as they existed in 1947. It had long been realized that unless Section 22 were amended, the possibility existed that it might be applied in contravention of some international agreement and that it was therefore necessary to enact a clarifying amendment. This apprehension became more acute in 1947, when the Secretary of Agriculture sought to broaden the program-coverage of the Section, with attendant increased risk of use of the Section in contravention of international obligations. This opportunity was therefore taken to make certain that no such conflict would arise. In his letters of February 4, 1947 and June 6, 1947 in which he proposed

* The obligations of the United States under the General Agreement respecting the use of fees are in Part I of the Agreement and consequently the language of the Protocol quoted above raises no problem concerning the extent of our obligations regarding use of fees. Clearly fees may not be imposed so as to raise duties on scheduled products above the levels agreed to under the General Agreement. [Footnote in the source text.]

that the Section be amended to cover additional programs, the Secretary of Agriculture specifically requested the addition to Section 22 of a provision which would prohibit "enforcement of a proclamation under Section 22 that would be in contravention of the international obligations of the United States." In explaining the desirability of such a provision, the Secretary of Agriculture stated:

"Certain limitations on the scope of action permitted under Section 22 are involved in the agreements with foreign countries concluded under the Reciprocal Trade Agreements Act. . . . . The exercise of the authority granted under Section 22 has not in the past conflicted with any of our international undertakings, and presumably this will also be the case in the future. It would, however, be of advantage to the United States in the conduct of its foreign policy if this were to be specifically required by Section 22. Accordingly, the proposed amendment would prohibit any enforcement of a proclamation under Section 22 that would be in contravention of the international obligations of the United States."

At the time when the Congress was considering the amendment of Section 22 to broaden the scope of the provision as well as to ensure that it would not operate inconsistently with international obligations, there was full discussion of the provisions of the agreements involved, including the provisions of the General Agreement to which the United States became a party before Section 22 was amended in July 1948. It is clear, therefore, that the inclusion of subparagraph (*f*) was intended, as its unequivocal language indicates, to limit the application of Section 22 to uses consistent with the substantive provisions of the General Agreement.

It should be noted that even before subparagraph (*f*) was added to Section 22, the Protocol itself modified the conditions under which we could impose import quotas under Section 22. For example, the President could not, consistently with the Protocol, have imposed an import quota under Section 22 without also using any available domestic authority to restrict production or marketing or to remove temporary surpluses by programs of the kind contemplated by the General Agreement; for import quotas without domestic controls would in that case contravene the Protocol requirement that we apply the Agreement to the *fullest* extent not inconsistent with domestic legislation.

It should also be noted that identical principles to those contained in Article XI of the General Agreement also appear in Article 20 of the Havana Charter for an International Trade Organization, the general principles of which the United States is committed by Article XXIX of the General Agreement to apply to the fullest extent of its executive authority. Article XXIX, which appears not in Part II but in Part III of the Agreement, thus also requires full adherence to the principles common to both instruments respecting use of quantitative restrictions on agricultural imports.

As a matter of policy, the decision to confine our use of Section 22 to uses consistent with international agreements was unquestionably a wise one. The provisions of the General Agreement provide adequate scope for the use of import quotas to safeguard domestic agricultural interests while at the same time offering agreement countries which are traditional foreign suppliers of agricultural products assurance that disproportionate burdens will not be placed upon imports in any effort to assist domestic farm interests. As a leading agricultural exporter, the United States also has a substantial interest in insuring that other countries are not free to restrict without limitation agricultural imports from the United States.

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International Trade Files, Lot 57 D 284, Box 164, "Magnuson Amendment"

*Memorandum Prepared for a Press Conference of the Secretary of State, Washington, October 12, 1949* [1]

Subject: Senator Magnuson's amendment of Section 22 of the Agricultural Adjustment Act regarding the relationship between Section 22 and international commitments of the United States [2]

If the Secretary is asked to comment on Senator Magnuson's amendment of Section 22 of the Agricultural Adjustment Act, he may wish to comment as follows:

"The Magnuson amendment raises a number of legal problems regarding the relationship between possible action under Section 22 and the obligations this Government has assumed under the General Agreement on Tariffs and Trade and other reciprocal trade agreements. The Department is much concerned about Senator Magnuson's amendment, as it appears to require changes in our trade agreements with the possible loss of important benefits accruing to the United States under those agreements. As I have not yet seen the amendment in the form approved by the Senate, I cannot comment on it in more detail."

*Background:*

As part of the farm bill now under consideration by the Senate, an amendment proposed by Senator Magnuson modifying Section 22 of the Agricultural Adjustment Act of 1934, as amended, was approved yesterday by the Senate. Section 22 provides that the President shall impose import fees or quotas if he finds that imports threaten the impairment of farm programs undertaken for price support and other purposes. In its present form Section 22 explicitly provides that no action may be taken under that Section which conflicts with obligations under existing or future trade agreements. Senator Magnuson's

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[1] This memorandum was drafted by Leonard Weiss of the Division of Commercial Policy at the direction of Winthrop G. Brown, Director of the Office of International Trade Policy.

[2] For text of Senator Magnuson's proposed amendment, see *infra*.

amendment in its original form would have eliminated this limitation and provided instead that every international agreement hereafter entered into must reserve to the United States the unilateral right to impose the fees and quotas contemplated by Section 22 and that no agreement now in force shall be permitted to continue beyond its permissible termination date without the inclusion of such a reservation. This amendment was narrowly defeated in the Senate last week by a vote of 37–35. The amendment approved by the Senate yesterday still calls for the elimination of the present limitation on action under Section 22 and provides that "No international agreement hereafter shall be entered into by the United States, or renewed, extended or allowed to extend beyond its permissible termination date in contravention of this Section".

The GATT allows us to use quotas in connection with agricultural products when domestic production or marketing is also limited. It allows legitimate use of Section 22, but imposes a limitation upon its unrestricted use. This is a hard-won compromise with over 30 other countries. It is satisfactory to Agriculture, the Farm Bureau and the Farmers Union.

The lawyers have not yet a chance to decide just what effect this new language may have on our trade agreement obligations. If its effect is similar to that of the original version, as is undoubtedly intended, we will be faced with the possibility, should the amendment become law, of having to renegotiate or withdraw from the GATT upon the expiration of 60 days after the amendment becomes effective, since for any individual contracting party applying the Agreement provisionally "the permissible termination date" of the Agreement would be upon the expiration of 60 days' notice of intention to withdraw from the Agreement.

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International Trade Files, Lot 57 D 284, Box 164, "Magnuson Amendment"

*Undated Document Prepared in the Department of State* [1]

*Magnuson's proposed amendment to Section 22*

(*f*) No treaty, trade agreement, or other international obligation shall be hereafter entered into by the United States which does not reserve to the United States the unconditional right to unilaterally impose the fees and quantitative limitations on imports provided for in this section; and no such treaty, trade agreement, or other international obligation now in force shall be renewed, extended, or allowed to extend beyond its permissible termination date without the inclusion of such reservation.

*Congressional Record*, 81st Cong., 1st sess., vol. 95, no. 183, p. 13903.[2]

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[1] Probably drafted on or about October 12, 1949.

[2] Handwritten notations indicated that the entry date in the *Congressional Record* was October 3, 1949 and that the relevant section began with page 13898.

411.426/3-2850

*The Director of the Office of International Trade Policy (Brown) to Senator Warren G. Magnuson*

WASHINGTON, March 28, 1950.

DEAR SENATOR MAGNUSON: I have read a copy of the statement that you submitted to Senator Ellender's Subcommittee of the Senate Committee commenting upon my testimony with respect to your proposed amendment to Section 22 of the Agricultural Adjustment Act.

Let me say first of all that you are quite correct that my statement on page 764 of the record, to the effect that under your amendment we could not accept "any limitation whatever" on the type of quota or fee which could be imposed under Section 22, goes too far. In making that statement I overlooked the limitation of 50 percent which the present Section 22 contains, and I am sending a copy of this letter to Senator Ellender so as to make that clear.

The negotiating problem with other countries which would be created by the amendment which you suggest nevertheless remains, for under that amendment we would be in a position where we would have to go to them and say that we must reserve the right unilaterally to cut their imports of agricultural products in half whenever we felt it necessary to use Section 22.

Your memorandum states that the State Department should have no objection to the proposed amendment unless it intends completely to vitiate Section 22 in the next round of negotiations; that this could be done if Subsection (*f*) remains unchanged; and that "the greatest danger of loss of the limited protection of Section 22 lies in what could be written into new, extended, or renegotiated agreements".

You may be assured that the Department has not the slightest intention of entering into any agreement which would vitiate Section 22. Nevertheless, we would have no objection to an amendment to Subsection (*f*) which would guard against this possibility.

We suggest that the following language would meet the most important point which you have in mind and would at the same time preserve the provisions of Article XI of the General Agreement on Tariffs and Trade quoted in your memorandum which have been worked out with such difficulty over so many months of international negotiation and which we believe permit the effective use of Section 22 and serve both the export and the import interests of American agriculture.

(Clause to be added at the end of Subsection (*f*)) "but no international agreement or amendment to an existing international agreement shall hereafter be entered into which does not permit the enforcement of this Section with respect to the articles and countries to which such agreement or amendment is applicable to the full extent

that the General Agreement on Tariffs and Trade, as entered into by the United States on October 30, 1947, permits such enforcement with respect to the articles and countries to which such General Agreement is applicable. Nothing in this Subsection shall prevent changes in rates of duty pursuant to Section 350 of the Tariff Act, as amended."

I have submitted this language to Senator Ellender through a member of his staff.

Sincerely yours, WINTHROP G. BROWN

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International Trade Files, Lot 57 D 284, Box 164, "Magnuson Amendment"

*Memorandum by Mr. Walter Hollis of the Office of the Assistant Legal Adviser for Economic Affairs (Cardozo)*[1] *to the Director of the Office of International Trade Policy (Brown)*

[WASHINGTON,] January 11, 1951.

Subject: Legal Interpretation of the Magnuson Amendment[2]

*Problem*

You have requested a legal opinion on the following three questions:

1. What effect would an amendment to section 22 which provided that no international agreement should be entered into by the United States or renewed or extended in contravention of section 22 have upon our participation in the GATT?
2. Would this effect be any different if the amendment contained the words "or allowed to continue beyond its permissible termination date"?
3. Specifically, would an amendment prohibiting international agreements "in contravention of" section 22 require renegotiation of the GATT?

A preliminary problem, which is relevant to each of these three questions, is the meaning of the term "contravention" as used in the Magnuson amendment.

*Proposed Reply*[3]

Section 22 provides that, if the President finds that imports are interfering with any of a number of agricultural programs he shall impose upon such imports either a fee or a quota, whichever he considers more appropriate to remove or alleviate the injury. GATT prohibits the imposition of fees, charges, or exactions in connection with the importation of products upon which concessions have been granted

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[1] Michael H. Cardozo.

[2] The proposed amendment offered by Senator Magnuson regarding Section 22, was not enacted by the 81st Congress. Senator Magnuson reintroduced the proposal in the 82d Congress in connection with legislation relating to the enactment of the Trade Agreements Extension Act of 1951 (for documentation on this subject, see pp. 1373 ff.).

[3] Reference uncertain.

in excess of those imposed on the date of the agreement in which the concession is embodied. It also prohibits the imposition of quotas on any imports except under specified circumstances, which do not include all the situations under which section 22 might provide for the imposition of quotas. Consequently, it would seem that the provisions of GATT are in contravention with section 22, both as to the imposition of fees on products on which concessions have been granted and as to the imposition of quotas under certain circumstances on any product to which the section might apply. That is the two contain such conflicting rules that under many circumstances full effect could not be given to both.

With respect to your first question, as to the effect upon GATT of language that no international agreement could be entered into, renewed, or extended in contravention of section 22, it may be pointed out that, although GATT itself has already been entered into, there are a number of ways in which it may be considered that the extent of these existing obligations under GATT are extended. The prohibition against new fees is extended with respect to products on which concessions have already been granted when new countries accede to the agreement, with the result that this obligation applies to imports of such products from the new countries. The same prohibition against fees is extended to new products through the conduct of new negotiations in which concessions are granted on products which had not previously been the subject of trade-agreement concessions.

The obligations with respect to quotas would be extended by any amendment prohibiting the future imposition of quotas under circumstances envisaged by section 22 and now permitted under GATT, and also by the definitive application of GATT which is now being applied only provisionally.

GATT obligations continue indefinitely subject to certain possible modifications pursuant to provisions of the agreement, so that there is no clear case of a "renewal" of GATT or of the obligations thereunder. However, the extension of the period before which certain relatively simple procedures may be utilized for the withdrawal of concessions, which is now under consideration at Torquay in connection with Article XXVIII of GATT, would seem to be somewhat comparable to a renewal of the original firmness of such concessions. If not so viewed it would seem to constitute another example of the extension of the scope of GATT obligations.

Consequently, the wording proposed in your first question would seriously impede the operation of the United States under GATT, by making it impossible for this country to participate in many aspects of the normal functioning of the agreement in the future.

The answer to your second question, as to whether the effect would be different if the amendment to section 22 provided that GATT

should not be allowed to continue beyond its permissible termination date, is in the affirmative. As has already been pointed out, there is a basic conflict between GATT and section 22, both with respect to the possible imposition of fees on products on which GATT concessions have been granted and with respect to the situations under which quotas may be imposed on certain products.

Consequently, such an amendment would require the withdrawal of the United States from the GATT, which would constitute a major reversal of our post-war foreign economic policy, unless extremely difficult negotiations could be promptly carried out by the United States. Should such negotiations result in giving all contracting parties to GATT the same rights with respect to fees and quotas which we would have to ask for ourselves there would be relatively little protection for the concessions on agricultural and other products which have been obtained in GATT for exports from the United States. However, it seems unlikely that most of the other parties to the agreement would be willing to give the United States such a free hand to nullify concessions it has granted, as would be required to prevent any contravention of section 22, without asking similarly broad rights for themselves.

In reply to your third question, it would seem that an amendment in general language prohibiting international agreements in contravention of section 22 would, unless the legislative history clearly showed the contrary, be taken to have the same meaning as one containing both the possible amendments discussed with respect to questions one and two. That is such an amendment would have that effect insofar as it relates to GATT, an international agreement concluded pursuant to Congressional authorization in a field in which Congress is constantly legislating. It would seem that such a provision would prohibit the conclusion of new agreements, the extension of existing ones, and would even require the withdrawal from, or drastic modification of, GATT.

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International Trade Files, Lot 57 D 284, Box 164, "Magnuson Amendment"

*Unsigned Department of State Letter to Senator Walter F. George, Chairman of the Senate Committee on Finance*

WASHINGTON, April 5, 1951.

MY DEAR SENATOR GEORGE: Reference is again made [1] to your letter of March 19, 1951 transmitting for the comment of the Department of State an amendment proposed by Senator Magnuson to the bill H.R. 1612, "To extend the authority of the President to enter into trade agreement under Section 350 of the Tariff Act of 1930, as amended, and for other purposes".

[1] Reference uncertain.

Section 22 of the Agricultural Adjustment Act, as amended, provides that the President shall impose import fees or quotas if he finds, on the basis of investigations made by the Tariff Commission, that imports threaten the impairment of farm programs undertaken for price support and other purposes. Subsection (*f*) of Section 22 provides that no restriction may be enforced under that Section which conflicts with obligations under existing or future trade agreements. It provides further, however, that no international agreement or amendment to an existing agreement shall in the future be entered into which would limit action under Section 22 of a type now permitted by the General Agreement on Tariffs and Trade.

The amendment proposed by Senator Magnuson would continue the basic authority to apply fees and quotas under Section 22 of the Agricultural Adjustment Act, as amended, but would modify the present provisions of Section 22 in a number of respects. Under this amendment the Department of Agriculture would replace the Tariff Commission as the agency which would investigate the facts and make recommendations to the President as to the need for import fees or quotas to protect farm programs which may have been undertaken. More important, however, the amendment would eliminate the present limitation in Section 22 prohibiting any action under it conflicting with existing or future trade agreements, and provide instead that "No international agreement hereafter shall be entered into by the United States, or renewed, extended, or allowed to extend beyond its permissible termination date in contravention of this section".

While the language of this proposed change relating to international agreements may be somewhat ambiguous, it seems clear that it is intended to ensure that no trade agreement shall interfere with action that might be taken under Section 22. While it is possible to take action under Section 22 which would safeguard our farm programs and at the same time be consistent with obligations under our trade agreements, it would also be possible, if it were not for the present limitation in Section 22 preventing action inconsistent with our international commitments, to take action under that Section which would conflict with our international obligations. In fact, it was precisely the possibility that action in conflict with our international commitments could have been taken under an earlier version of Section 22 that led the Congress to enact the present limitation in Section 22 prohibiting such action.

What the amendment proposes is that this emphasis be reversed. Instead of ensuring that no action is taken under Section 22 which would conflict with our international obligations, the amendment would make certain that no international agreement will interfere with action that might be authorized under Section 22. While the words "in contravention of" in the amendment may be somewhat unclear, the

conclusion seems inescapable that any international agreement which might prevent action otherwise authorized under Section 22 would be "in contravention of" that Section. Hence, if the amendment were adopted, no new trade agreement which might prevent the taking of such action could "be entered into by the United States", and no existing agreement which might prevent such action could be "renewed, extended, or allowed to extend beyond its permissible termination date".

Our existing reciprocal trade agreements do place some limits on action that might otherwise be taken under Section 22 if there were no limitation in that Section, as at present, prohibiting action in conflict with such agreements. In fact, it is difficult to see how it would be possible to conclude any useful reciprocal trade agreement which would not limit the broad action otherwise permissible under Section 22. For the purpose of reciprocal trade agreements is to reach agreement with the other country that neither party will impose duties on the import of specified commodities above certain rates. The rates on agricultural commodities are, of course, very important parts of these agreements, both for us and the other country. Section 22, however, unless it contained a safeguard such as the present one prohibiting action in conflict with international commitments, would authorize the imposition of fees even on scheduled commodities included in trade agreements, thus having the effect of raising the agreed duties.

Similarly, our trade agreements, while permitting quotas in certain circumstances, set limitations on their use. Section 22, however, would be broad enough to authorize quotas which would exceed these limitations, unless the present safeguard protecting our international commitments is retained. In short, it is difficult to see how it would be possible to continue any existing trade agreement so as not to be "in contravention of" Section 22 in the sense apparently intended by the amendment, namely in the sense of preventing action that might otherwise be possible under that Section.

Nor does it seem probable that any useful new trade agreement could be concluded with any country under the amendment, particularly a country that had significant agricultural exports. For what we would be seeking under such an agreement would be limitations on the duties on particular commodities and, to protect these tariff concessions, limitations on the other country's use of quotas. These they could not reasonably be expected to give us, if we reserved the right, at our sole option (as we would have to do under the amendment) to impose quotas or raise rates on agricultural imports.

If the amendment were adopted, therefore, it would deal a severe blow to our trade agreements program, under which after years of painstaking effort we have secured bilateral agreements with 14 countries and negotiated the multilateral General Agreement on Tariffs

and Trade, to which 31 countries are presently party and to which six more are expected to accede shortly.

And the great tragedy is that it would be completely and thoroughly unnecessary. Our present trade agreements afford ample leeway to take action to protect our farm programs as contemplated under Section 22. Our trade agreements do not, of course, restrict in any way our freedom to impose import fees on commodities not included in such trade agreements. While additional import fees on scheduled commodities in agreements would be precluded, import quotas on such commodities, as well as on commodities not covered in the agreement, would be permitted, subject to certain limitations. These limitations are broad enough to afford reasonable protection to our agricultural programs.

The General Agreement on Tariffs and Trade strikingly illustrates this fact. Under that Agreement we could apply quotas in connection with agricultural products when domestic production or marketing is also restricted. Under the Agreement we could apply quotas on agricultural products in connection with the removal of temporary surpluses where such surpluses are made available, as under our school lunch programs, to certain domestic consumers free of charge or at prices below the current market level. The General Agreement also has provisions which would permit the application of quotas to meet various problems arising out of the exigencies of the last war, such as the accumulation of government-owned or controlled stocks for whose orderly liquidation quotas may be necessary or the acquisition or distribution of products in short supply for which purpose quotas may be essential.

In addition, the General Agreement contains a general escape clause under which quotas and, for that matter, even additional import fees on scheduled commodities could be applied if as a result of unforeseen developments and of the effect of the obligations incurred under the Agreement, a product is being imported in such increased quantities as to cause or threaten serious injury to domestic industry.

These are fair and equitable principles. They allow the legitimate use of quotas under Section 22, but show to other nations that we are prepared to use reasonable self-restraint in the process. The Department of Agriculture has indicated that it has ample authority under the General Agreement to use Section 22 in a manner appropriately to protect United States agriculture. This Agreement prevents other countries from resorting without limitation to the use of quotas to restrict imports of agricultural products from the United States. To toss over these principles, whose acceptance was achieved only after long and arduous negotiations with over a score of countries, would represent a serious setback to the commercial policy which this Gov-

ernment has been pursuing and endeavoring to persuade other nations to follow.

The amendment, it should be clearly understood, attacks a central element in our trade policy, namely the limitation of the use of quotas. The quota is the most restrictive and undesirable of all types of barriers. It is the type of restriction used most frequently by foreign countries. It has been widely used to limit imports of agricultural products from the United States. The consistent aim of the United States negotiators has been to obtain elimination or limitation of the use of the quota by other countries. Obviously, however, we cannot expect other countries to limit their use of protective quotas if we are not prepared to follow suit, and our exports, agricultural and otherwise, are bound to suffer.

We must not ignore the fact that American agriculture has two great interests—the domestic market and the export market. Both are vital. Our farm policy and our foreign policy should be designed and administered to give the maximum opportunity for our farmers in both markets. If we close the door to imports, we close the door to our exports also. If we refuse to accept any limitation, however reasonable, on our use of Section 22—even limitations which have been carefully designed to safeguard our domestic interests—other nations will not do so either, and our markets abroad for agricultural as well as other goods will suffer.

The United States occupies a central position as a leader in the development of world trade policy. It is the strongest single motive force behind the world-wide efforts for the reduction of trade barriers. Approval of the amendment in question would be interpreted by the countries of the world as a retrogression in American efforts to reduce trade barriers and as an indication of a return to more restrictive policies. We would impair our ability to persuade these countries to reduce their trade barriers at a time when we appear to be increasing our own, and our own national interests are bound to suffer.

For all these reasons the Department wishes to register its strongly held objections to the proposed amendment and recommends that it not be enacted.

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*Editorial Note*

The Trade Agreements Extension Act as finally enacted and approved on June 16, 1951, contained in Section 8 the following provision regarding Section 22:

"Sec. 8. (*a*) In any case where the Secretary of Agriculture determines and reports to the President and to the Tariff Commission with

regard to any agricultural commodity that due to the perishability of the commodity a condition exists requiring emergency treatment, the Tariff Commission shall make an immediate investigation under the provisions of section 22 of the Agricultural Adjustment Act, as amended, or under the provisions of section 7 of this Act to determine the facts and make recommendations to the President for such relief under those provisions as may be appropriate. The President may take immediate action however, without awaiting the recommendations of the Tariff Commission if in his judgment the emergency requires such action. In any case the report and findings of the Tariff Commission and the decision of the President shall be made at the earliest possible date and in any event not more than 25 calendar days after the submission of the case to the Tariff Commission.

"(*b*) Subsection (*f*) of section 22 of the Agricultural Adjustment Act, as amended, is hereby amended to read as follows:

"'(*f*) No trade agreement or other international agreement heretofore or hereafter entered into by the United States shall be applied in a manner inconsistent with the requirements of this section.'" (65 Stat. 75)

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411.656/9–451

*The Italian Embassy to the Department of State* [1]

No. 9824

The Italian Embassy presents its compliments to the Department of State and has the honor to bring the following to its attention.

On July 8, 1948, the California Almond Growers Exchange submitted a request to the U.S. Tariff Commission for a 50% increase of the duty on shelled and blanched almonds, based on the estimated difference of the "domestic and foreign production cost".

The Tariff Commission, after careful investigation, rejected the request on the ground that the domestic production was unable to supply the entire United States market and that the resulting deficiency had to be filled by foreign imports.

On April 13, 1950, another investigation was instituted, under sec. 22 of the Agricultural Adjustment Act, for the purpose of determining whether imports of almonds, filberts, walnuts, etc. were interfering with the programs of the U.S. Department of Agriculture relating to these products.

In November 1950, the Commission submitted a report to the President in which it stated that there was at that time no basis for any action under sec. 22, but that the Commission was continuing the investigation and would "keep in touch with the provisions and operations of marketing agreements and keep close watch on the course of

[1] Initialed by the Italian Ambassador.

domestic and foreign production and other factors affecting the competition between domestic and imported tree nuts."

A new investigation was ordered on July 12, 1951 and a public hearing in this connection will be held on 12th September, 1951.

In view of the foregoing, the Italian Embassy deems it opportune to present the enclosed memorandum [2] which gives a general picture of the situation of the Italian export of almonds which represent one of the most typical and traditional Italian exports to the United States.

The production and processing of almonds provides work for many thousands of Italian families in areas which are afflicted by organic poverty and where other opportunities of work and income are practically non-existent (Sicily, Apulia and other regions of Southern Italy).

Therefore, any measures intended to increase duties or restrict imports of almonds into the United States would seriously injure the Italian economy and aggravate the trade deficit of a country which imports from the United States agricultural products in amounts 5–6 times surpassing the value of her exports to the U.S.

Moreover, the imports of Italian almonds are not in competition with the production of the United States, since, due to their particular characteristics and quality, they are destined to special uses, as for instance in the confectionary industry, which cannot be sufficiently supplied by the domestic production.

It is Italy's most sincere intention not to interfere with, or endanger in any way the interest of the U.S. domestic production and for this reason, severe measures have been taken by the Italian Government in order to prevent any attempt to divert toward the U.S. market almond cargos directed to other countries, which could result in unfair price and marketing practices.

In view of the recent U.S. Agriculture Department regulations controlling the imports of Italian cheeses and of the threatened embargo against olive oil imports, any further restriction that might prevent the normal development of Italian almond exports will have serious repercussions on the Italian public opinion, will diminish the beneficial results of ECA activities in Italy, and will hamper the efforts of the Italian Government to reduce the dollar gap and to rebuild its trade with the U.S.

The Italian Embassy appeals to the Department of State recommending that no restrictive measure be applied against imports of Italian almonds and expresses its appreciation to the Department of State for its kind assistance and consideration in this matter.

WASHINGTON, September 4, 1951.

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[2] Not printed.

International Trade Files, Lot 57 D 284, Box 165,
"Section 22—Magnuson Amendment"

*Memorandum by the Assistant Chief of the Commercial Policy Staff (Weiss)*[1]

[WASHINGTON,] September 25, 1951.

Subject: Status of Almond Investigation

1. The Tariff Commission instituted on April 13, 1950 an investigation of imports of tree nuts. This action was taken under Section 22 at the request of the President, who had been asked by the Secretary of Agriculture to request the investigation. After hearings and study, the Commission announced on November 30, 1950, with the President's approval, that there was at the time no basis for imposing restrictions on imports of tree nuts under the provisions of Section 22. The Commission also undertook to continue the investigation, to keep a close watch on the trade and on provisions and operations of marketing agreements and other programs of the Department of Agriculture with a view to considering whether future developments might warrant the imposition of restrictions on imports. Late this summer, a reopening of the investigation was announced and hearings were held on September 12.

2. Interested parties have until October 5 to submit briefs. We do not know when the investigation may be completed. We understand that the Department of State may be asked to comment on the nut situation in relation to our international obligations and/or foreign policy objectives, notwithstanding the present language of subsection (*f*).

The Department of Agriculture testified at both hearings (last year and this) and argued strongly this year for quotas. "Obvious examples of imported tree-nut interference" (with Agriculture programs) were cited and the volume of imports of almonds last year was shown to be in excess of what had been estimated in setting the percentage of the almond crop which might be marketed as nuts.

3. While we do not know what this year's demand for almonds will be, the situation of the almond industry may be less good this year than last, since the crop is bigger and there is a sizeable carryover. A large crop also means that there will be a higher than average percentage of small nuts, which can be used in candy bars and will compete in that use with imports. The Department of Agriculture has issued a preliminary order restricting the quantity of almonds which may be marketed as such, shelled or unshelled, to 75 percent of the crop, and the balance will be sold for crushing to oil. Last year 100 percent of the crop was declared saleable as nuts. There is so far no sub-

[1] Addressed to J. Robert Schaetzel, Special Assistant to the Assistant Secretary of State for Economic Affairs, and Raymond Vernon, appointed Deputy Director of the Office of Economic Defense and Trade Policy.

sidy available to growers on sales of nuts for crushing; we lack information concerning the profitability of crushing.

Italy is the supplier of nearly all of our imports, and imports from Italy amounted to $1.6 millions. Almonds are a product of southern Italy, the other principal products of which are cheese (under restriction under Section 104) and olive oil (which is among the products upon which Section 104 restrictions might be imposed). A note has been presented concerning the Italian interest in the trade, pointing out its importance to the producing areas and to the Italian balance of payments. The point is also made that while much of the domestic crop is marketed in the shell, all imports are shelled. Further, the note points out imports are used to a large extent in candy bars where a small whole almond is wanted, and normally United States domestic production of these sizes is inadequate. Copies of the note are being transmitted to the Commission.

A quota on almonds under Section 22 might be consistent with Article XI of GATT if considered to be imposed as a measure "necessary to the enforcement of governmental measures which operate to restrict the quantities of the like domestic product permitted to be marketed . . ." and if it met the tests as to size of the quota relative to past imports. But the marketing agreement does not restrict the total quantities of almonds which may be marketed; it does not even place an absolute limit on the quantity marketable as nuts. It merely fixes percentages of the crop to be marketed in different channels. In addition, there is the question raised by Italy whether imports compete with the entire domestic crop or with a part only.

Nevertheless, the case for a quota on almonds is probably better than that for any other nut, and in view of the present wording of Subsection (*f*) of Section 22, it may be difficult to find a basis for persuading the Commission not to recommend restrictions. The President will act on the investigation and report under the following language:

"(*b*) If, on the basis of such investigation and report to him of findings and recommendations made in connection (with the report) . . ., the President finds the existence of such facts, he shall by proclamation impose such fees . . . or such quantitative limitations . . ."

Although fees have not been requested, consideration should perhaps be given to the possibility of urging that, if anything is to be done, fees rather than quotas be imposed. No trade-agreement concession has been made on almonds.

549-782—79——94

411.656/9–451

*The Department of State to the Italian Embassy*

MEMORANDUM

The Department of State has received Note No. 9824, dated September 4, 1951, from the Embassy of Italy calling attention to the harm that will be done to the Italian almond industry by any action on the part of the United States Government to restrict the imports of or to increase the duties on Italian almonds.

Following the receipt of this note and the memorandum enclosed with it, the Department of State transmitted a copy to the Tariff Commission, the United States Government agency charged with the responsibility, under Section 22 of the Agricultural Adjustment Act, of determining whether or not imports of almonds and other tree nuts are interfering with related programs of the United States Department of Agriculture. Officers of the Department of State have consulted with officers of the Tariff Commission to emphasize the foreign policy aspects of the matter.

The Department of State is keenly aware of the Italian Embassy's interest in this matter and will inform the Italian Embassy of the Tariff Commission's findings just as soon as they are promulgated.

WASHINGTON, November 30, 1951.

## VI. THE QUESTION OF BELGIAN RESTRICTIONS PLACED ON IMPORTS FROM THE DOLLAR AREA (THE SIXTH SESSION OF THE CONTRACTING PARTIES TO GATT)

*Editorial Note*

Another question of close interest to the United States at the Sixth Session of the Contracting Parties of GATT and on which the United States took a vigorous initiative was the matter of Belgian restrictions placed on imports from the dollar area.

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455.006/9–451 : Telegram

*The Ambassador in Belgium (Murphy) to the Secretary of State*

CONFIDENTIAL PRIORITY BRUSSELS, September 4, 1951—6 p. m.

301. A. Sources high in Belg Govt informed us new measures will be announced shortly, possibly today, to attempt redirect Belg trade so as sharply reduce dol deficit and EPU surplus. Fol is gen outline these measures as related to us:

1. Belg commercial representation and other promotional activities will be intensified in western hemisphere.

2. New restrictions will be imposed on dol imports to put pressure on importers to seek sources such imports in EPU area. Belgs feel prestige rather than econ merit is large factor re many dol imports, and believe similar goods cld in many cases be found in Europe on terms not significantly worse than for dol goods. They hope to transfer $80 to $100 million annually from dol area to EPU area by this measure. Understand automobiles, canned milk, dried fruit, nylon stockings and other items may be involved. Will investigate and report.

3. Exporters to EPU area will have proportion Belg franc proceeds their exports withheld by banks. This proportion to be withheld (auths discussing figures from 2.5 to 10 percent, but will probably settle on 5 percent) will be placed in special internal Belg franc fund. This fund, probably to be administered by national industrial credit society (SNCI), wld be used to give favorable credit facilities re imports from EPU area. Exporters having 5 percent withheld from proceeds exports to EPU countries wld receive instead 3 or 6 months bills on special fund, such bills to be discountable at National Bank insofar as gen credit policy permits or dictates. Note that on basis current level exports to EPU area, special fund wld amount to about one billion francs on basis 3 months withholding or 2 billion francs with 6 months withholding. Object is to discourage exports to EPU and encourage imports from EPU. This scheme has no effect on method handling foreign exchange transactions reporting EPU balances. Exporters will be informed this scheme only brings terms re-exports to EPU area slightly more in line with conditions re-exports many other areas of world, for which private exporters are often forced accept deferment total payment.

4. Re Benelux, Belgs and Dutch have apparently agreed Belg exports to Netherlands for last 4 months calendar 1951 will be reduced at least 53 million guilders (700 million francs or $14 million) below level in first quarter 1951. All Belg exports beyond 60 percent liberalized in framework OEEC program will again be placed under license. Until at least Nov 1, licenses will be granted without limit, and this will continue if current reduction Dutch imports from Belgium continues. However, if controls necessary to accomplish reduction specified above, such controls will apparently take form Belg export quotas (in 40 percent nonliberalized sector) rather than Dutch import controls. Both sides hope Dutch anti-inflation policy will accomplish agreed reduction and obviate need for controls.

5. Will report further re these measures as info becomes available.

B. Belgs state they feel driven to these actions by effect EPU mechanism on their reserve position, internal fin situation and trade pattern.

1. One aspect EPU is that special trade and payments liberalization inside EPU area, together liberal Belg dol import policy, has led to many trade practices of questionable econ merit involving direct re-export dol goods through Belgium to other EPU countries or direct re-export goods of Belg origin through other EPU countries to dol areas. Such practices lead to aggravation Belg EPU surplus and dol deficit, with consequent Belg gold and dol loss and increased Belg credit to EPU. Typical example is recent shipment 50 US cars to Trinidad from Antwerp, against sterling payment (cleared through

EPU). Cars were subsequently resold for hard currency. Belg attitude toward this aspect of problem is that they must develop means to protect themselves against such misuse their dollar reserves and EPU financing by others.

2. Re "normal" Belg dol deficit and EPU surplus which wld remain if such speculative transactions were entirely stopped, believe Belgs now consider this "normal" situation untenable from fin standpoint, since they see little likelihood receiving full payment in acceptable currency (i.e., gold or dols) for "normal" EPU surplus in near future. Thus, new policy represents attempt to reorient structure their foreign trade and payments to what appears likely to be continuing situation world-wide payments disequilibrium. They will undoubtedly try to minimize discriminatory factors in this reorientation, but consider that some discrimination necessary if payments problem to be solved satisfactorily.

Sent Dept 301, rptd info Paris 69, The Hague 19.

MURPHY

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455.006/9–451 : Telegram

*The Acting Secretary of State to the Embassy in Belgium*

CONFIDENTIAL WASHINGTON, September 8, 1951—1 p. m.

315. Re Embtel 301, para A–2, if QRs on US goods contemplated, Emb shld remind Belgians their GATT obligations. QRs must conform requirements GATT Arts XII–2(*a*) and XIV–1(*b*). Also Art XII–4(*a*) requires that prior to (or, if impracticable, immediately after) imposition new restrictions CP's must be consulted re balance payments difficulties, alternative measures, possible effect such measures on other CP's. We think Belg wld be well advised initiate consultations if QRs contemplated since if they do not others may at Sixth Session.[1]

WEBB

[1] For documentation regarding the problem of quantitative restrictions within the framework of the General Agreement on Tariffs and Trade (GATT) and the United States position relating thereto, see *Foreign Relations*, 1950, vol. I, pp. 692 ff.

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455.006/9–1551 : Telegram

*The Ambassador in Belgium (Murphy) to the Secretary of State*

CONFIDENTIAL BRUSSELS, September 15, 1951—noon.

361. Pass OSR and ECA. See Repto 4541, rptd Brussels Repto 310, Sept 12 and Brussels Embtel 335, rptd Paris 76.[1] Present cable attempts further clarification regarding Belgian position restriction dollar imports.

[1] Repto 4541 was Part II of a "special series of messages" on the problem of the Belgian EPU surplus, initiated by the Office of the Special Representative in Europe (OSR) with telegram Repto 4544, September 12, 9 p. m. It is not clear how many cables were transmitted relative thereto, but the "series" may have

Belgians point out they have been under constant pressure reduce surplus EPU. Since Belg approximate over-all payments balance, Belgs consider one of necessary and most immediately effective means reduce EPU surplus and at the same time maintain over-all payment balance is increase imports from EPU countries and reduce dollar imports. In turn, Belgs consider only way immediately accomplish this is discriminate against dollar imports and favor imports and other EPU countries.

Although Belgs recognize that neither managing board, other OEEC comites, nor US has specifically requested restriction dollar imports by Belg, Belgs feel they can pressure reduce EPU surplus in no other way than as pressure restrict dollar imports, given context situation outlined part two above.

It seems to us that US position at present gives appearance of requesting discrimination against dollar imports because of financial aims of US Govt while long-range trade aims of US Govt oppose such discrimination. Essential facts of situation not altered by Belg position of applying discrimination prior financial and balance of payments difficulties rather than awaiting such difficulties and subsequently applying discrimination.

ECA mission concurs.

Sent Dept 361, rptd info Paris 83.

MURPHY

been completed with Repto 4541. In Repto 4544 it was stated that the Belgian crisis, though precipitated sooner than expected, "has generally been regarded as inevitable, in sense that Belgs expected be in continuous surplus position with end result exhaustion of quota." In Repto 4541 the ECA Administrator was informed that in a special MB session (Managing Board of the European Payments Union), September 3–5, there were delineated "aspects" of the problem of the Belgian EPU surplus on which more information was needed. (ECA Message Files, FRC Accession 53A278, Repto Series)

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394.31/9–1851 : Telegram

*The United States (GATT) Delegation to the Secretary of State*

CONFIDENTIAL GENEVA, September 18, 1951—8 p. m.

Tagg 11. Suetens Belg del called on USDel September 18[1] to advise that in connection problem Belg surplus in EPU, Belg intends

[1] The Sixth Session of the Contracting Parties (CP's) of the General Agreement on Tariffs and Trade (GATT) convened at Geneva on September 17. For the composition of the United States Delegation, see Department of State *Bulletin*, October 1, 1951, p. 553. Willard L. Thorp, Assistant Secretary of State for Economic Affairs, was Delegation Chairman, and John L. Leddy, Acting Director, Office of Economic Defense and Trade Policy, was Vice Chairman. Files of the United States Delegation are in GATT Files, Lot 63 D 134, Box 268 (FRC Accession 65A987) and Lot 66 D 209, Box 454 (FRC Accession 71A6682).

Max Suetens, Director General of Foreign Trade, Belgian Ministry of Foreign Affairs, was head of the Belgian Delegation.

reintroduce restrictions import dollar goods and wld enter into consultations with CP's accordance Art XII. Suetens had expected make statement early mtg CP's now agrees defer statement until US attitude clearer. Suetens unable to indicate precise extent intended restrictions but expects that situation 1946–47 will be restored, with free list, restricted list and prohibited list dollar imports. Hopes to have lists from Brussels within day or two.

USDel took no position in discussion except to acknowledge seriousness issues involved and to indicate wld request instrs. Suetens returning to Brussels early next week for few days but will return before weekend. Pls comment soonest with full financial info Belg situation. Also feel desirable Corbett[2] be present before matter brought up in CP's. In view imminent consideration Belg EPU problem Paris feel careful coordination US policy necessary.

Sent Dept Tagg 11, rptd info Paris 65 for OSR.

[2] Jack C. Corbett, Deputy Director, Office of Financial and Development Policy, and member of the United States Delegation at Geneva.

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394.31/9–1851 : Telegram

*The Acting Secretary of State to the United States (GATT) Delegation*[1]

CONFIDENTIAL WASHINGTON, September 22, 1951—3 p. m.

Gatt 33. Following are comments requested Tagg 11 re reintroduction Belg restrictions on import dol goods:

1. Belg has been chronic creditor in EPU and exhausted its EPU quota in Aug. EPU Managing Board now considering method of settlement surpluses beyond quota. Belg interested not only in satisfactory arrangement for settlement excess surplus but also in undertaking measures by which it hopes surplus wld be sharply reduced. Encouragement imports from EPU area, through imposition restrictions dol area, among such measures being considered. Corbett will provide additional details.

2. Belg will presumably attempt justify imposition dollar import restrictions at this time on basis standards Art. XII–2. If they do so, US Del should take following line:

On basis known facts it is not self-evident Belg has reserves "unduly low" or "seriously" declining or that serious decline imminent. Whether Belg will in fact experience decline dollar reserves justifying imposition restrictions against dollar area depends number imponderables whose effect cannot now be judged by CP's. For example, it depends on size and method settlement Belg surplus EPU. These are questions answers to which will have to be obtained other forums,

[1] Repeated to Brussels as 389 and Paris for OSR as 1752.

notably EPU Managing Board. Furthermore, in accordance Art XV GATT, necessary obtain views Fund [2] on financial aspects involved before CP's can reach decision on whether QR's against dollar area justified or not. Fund's views on Belg reserve position should therefore be requested. Until these views obtained and until other factors referred above are worked out, decision by CP's on whether authorize imposition QR's by Belg could not properly be made.

3. Belg-Lux gold and short-term dollar assets in July 1951 totalled (in mil dols) 738. Fol are year-end figures for 1938, 1945 through 1950; 828, 940, 918, 744, 722, 836, 722. On basis tentative ECA 1951–52 B/P projections, which prepared before present Belg problem and assume no dol import restrictions, serious decline reserves not anticipated. Projections indicate relatively small current account deficit dol area, thus only small reduction gold and dollar holdings.

4. FYI, while US wishes issue to be considered in Fund, it would prefer avoid actual consideration by Fund until after Managing Board of EPU has completed work on problem and until after Rome NATO meetings.[3]

WEBB

[2] The International Monetary Fund.

[3] The substance of this position was conveyed informally to the Belgian Delegation at Geneva on October 2 (Geneva telegram Tagg 53, October 2, 8 p. m., 394.31/10–251).

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394.31/9–2751 : Telegram

*The Ambassador in Canada (Woodward) to the Secretary of State*

CONFIDENTIAL OTTAWA, September 27, 1951—5 p. m.

53. Ottawa officials handling govt problems seriously disturbed by reports Belg imposing restrictions discriminatory against dollar imports. Initial reaction strongly against approval of GATT waiver. Canadians do not yet know, however, extent to which their trade directly affected. Reports from Canadian sources Geneva and Brussels leave doubt whether restrictions already in effect or contemplated. Canadian officials emphasize Belg over balance of payments situation excellent and by GATT standards discrimination unjustified. Instructions to Canadian del Geneva probably will be sent after interdepartmental mtg October 2 at DepMin level.

Canadians critical encouragement by ECA of Belg restrictions as reported by Hoffman *New York Times* Sept 23 page 26. They have in past voiced misgivings repeatedly to ECA and others in Washington that EPU and OEEC wld lead to discriminatory restrictions.

Pls inform Emb by telephone what US position is and whether Hoffman report accurate.

Dept pass Geneva; sent Dept 53, rptd Geneva unnumbered for USDel GATT.

WOODWARD

394.31/9-2751

*Memorandum of Telephone Conversation, by the Assistant Chief of the Commercial Policy Staff (Weiss)*

CONFIDENTIAL [WASHINGTON,] October 1, 1951.

Subject: Belgium–EPU Surplus Problem

Participants: Mr. Weiss—CP
Mr. Willoughby—Counselor, American Embassy, Canada

The attached cable [1] was received by the Department from the American Embassy at Ottawa inquiring (1) what the United States position was with regard to the handling of the Belgium–EPU surplus problem, including the question of imposition of import restrictions by Belgium against the dollar area, and (2) as to the accuracy of a report by Mike Hoffman in the *New York Times* of September 23 that the Council of the OEEC, with the full approval of the ECA, had recently advised Belgium to "buy more from Europe and sell less to Europe, buy less from United States and sell more to the United States". The Embassy requested to be informed by telephone on these points.

After a check with Messrs. Boochever [2] and Srole [3] in the Department and with Mr. Salant [4] in ECA, it was agreed to inform Mr. Willoughby as follows, and Mr. Weiss telephoned Mr. Willoughby accordingly:

With regard to the first question raised by the Embassy, Mr. Weiss informed Mr. Willoughby that the position of the United States so far as handling this matter in the GATT was concerned, was indicated in a cable (Gatt 33, September 22) which had been sent our Delegation to Geneva and which Mr. Weiss had repeated to Ottawa in response to the Embassy inquiry. This cable indicated that it was not self-evident that the Belgian reserve position was such as to require the imposition of restrictions against the dollar area; that whether such restrictions could be justified would depend on a number of imponderables which had yet to be determined, such as the size and method of settlement of the Belgian surplus in EPU; that no decision on the justifiability of Belgian restrictions against the dollar area could be reached until decisions had been made by the EPU Managing Board on the Belgian problem and until the Fund's views on Belgium's reserve position had been obtained. Mr. Weiss further informed Mr. Willoughby that, on the basis of the present Belgian reserve position and in the absence of decisions by the EPU which might affect the

[1] Ottawa telegram 53, September 27, 5 p. m., *supra*.
[2] Louis C. Boochever, Jr., Financial Economist, Office of European Regional Affairs.
[3] Saul R. Srole, International Economist, Monetary Affairs Staff.
[4] William A. Salant, Chief, European Trade Policy Division, ECA Headquarters, Washington.

situation, it did not appear that the Belgian reserve position was such as to justify import restrictions against the dollar area. He also informed Mr. Willoughby that if Belgium had not as yet applied any such restrictions, our Delegation at Geneva would probably try to persuade Belgium to continue to hold off on such restrictions and not to come into the GATT with this problem at this time. If, however, the Belgians were in fact applying such restrictions, there would be no alternative, in the light of the provisions of the GATT, but to take this question up at the present GATT meeting. Mr. Willoughby told Mr. Weiss that, according to Canadian information, the Belgians had announced that they would apply import restrictions against the dollar area beginning in November.

With respect to the second question regarding the accuracy of the Hoffman story, Mr. Weiss informed Mr. Willoughby that a cable had been received from OSR, Paris (Repto 4541, September 12)[5] which indicated that no recommendation had been made by the Managing Board of EPU or by any OEEC organ for the restriction of dollar imports by Belgium. He further informed Mr. Willoughby that to the knowledge of the people in the Department and of Mr. Salant in ECA, ECA had not encouraged or approved the imposition of restrictions by Belgium against the dollar area. Mr. Weiss suggested that a possible source of the confusion might lie in the fact that about a year ago the OEEC had recommended that Belgium take measures to reduce its dollar deficits and European surplus. In making this recommendation, however, the OEEC made no statement with regard to applying import restrictions against the dollar area and, of course, there are various ways other than import restrictions against the dollar area by which Belgium's dollar deficits and European surplus might be reduced.

[5] See the second footnote 1, p. 1480.

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394.31/10–251 : Telegram

*The United States (GATT) Delegation to the Secretary of State*

CONFIDENTIAL GENEVA, October 2, 1951—8 p. m.

Tagg 53. On Oct 2, USDel had further discussion with Belg del (Cassiers, Janson)[1] re Belg decision impose restrictions against dollar imports. Belg del stated his understanding that although decision taken and admin machinery ready to restrict such imports no application for import license yet formally denied. Practice thus far has been to withhold issuance licenses. Belg del stated reason for decision to impose restrictions was imminent threat to reserve position. Further

[1] Georges Cassiers, second-ranking official (Vice President) in the Belgian Delegation, and M. G. Janson, "Membre de l'Institut Belgo-Luxembourgeois du Change."

explain his understanding that EPU managing board favorably received over-all Belg program for reducing EPU surplus although OSR reps in Paris had indicated dislike dollar import restrictions.

USDel advised Belg that if decision firm to institute restrictions addition of item to GATT agenda wld be appropriate this session and process of consultation with CP's and IMF begun. Further advised that on basis present info Belg reserves and balance of payment position prelim US view that restrictions not necessary intensified. In any event this wld be question on which Fund consultation and advice required. We also stated our understanding that EPU had not sought to pass judgment on wisdom or effectiveness of this particular measure in dealing with Belg EPU surplus.

Suetens returning Geneva today and expected continue discussion tomorrow.

Sent Dept Tagg 53, rptd info Paris 78 for OSR, Brussels 10.

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394.31/10–351 : Telegram

*The Ambassador in Canada (Woodward) to the Secretary of State*

CONFIDENTIAL PRIORITY

OTTAWA, October 3, 1951—4 p. m.
[Received October 9—2:23 p. m.[1]]

57. From Willoughby. Embtel 53, Sept 28. Canadians agree generally with substance Deptel Gatt 33 Sept 22. US position, however, apparently based on assumption Belg restrictions not yet in effect. Canadians now certain licenses being refused imports from Canada.

Canadian Govt, therefore, instructing its del GATT today to take immediate steps to seek removal existing restrictions. First Canadian approach will be informal through Isbister [2] to head Belg del Geneva. If ineffective, formal complaint to CPs planned.

Belg case will set important precedent. While full info re activities EPU and OEEC not available here, vigorous action objecting restrictions appears imperative. Sterling area countries cld reasonably contend their monetary arrangements analogous to EPU. If US acquiesces discriminatory import restrictions under good current condition Belg reserves and balance payments, we will have undermined basis for insisting elimination discriminatory restrictions by sterling area countries as the balance payments improve.

From standpoint Canada as well as other countries Belg precedent dangerous. Canada has over-all current account deficit resulting chiefly from heavy trade deficit with US. Serious balance payments difficul-

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[1] Typewritten notation at the bottom of the page reads: "Message delayed in transmission. Passed to Geneva, Paris, 10–9–51, 2:35 p. m."

[2] C. M. Isbister of the Canadian Department of Trade and Commerce, member of the Canadian Delegation at Geneva.

ties not impending but situation cld change rapidly. A large reduction in capital imports which now offset current account deficit wld immed confront Canada with problem of reducing trade deficit and strong pressure for discriminatory restrictions against US trade wld develop.

Dept pass Geneva, Paris. Sent Dept priority 57, rptd priority Geneva (for USDel GATT) unn, Paris (for OSR) unn. [Willoughby.]

WOODWARD

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394.31/10-451: Telegram

*The United States (GATT) Delegation to the Secretary of State*

CONFIDENTIAL NIACT GENEVA, October 4, 1951—2 p. m.

Tagg 60. Leddy, Corbett, Bronz,[1] Hight [2] met with Suetens, Janson, Cassiers, Belgian Del last evening.

Suetens confirmed fact that no license to import dollar goods had actually been denied but some applications not being acted on. He did not suggest this state of affairs due to indecision on part of Belgians to go ahead but to difficulties involved in working up prohibited list with Luxembourg. Suetens further explained that Belgians were contemplating 3 alternative courses of action with respect to restriction:

1. Justify import restrictions under Art XII GATT.
2. Impose exchange restrictions under Art XIV IMF and corresponding import restrictions under Art XV Sec 9, GATT.
3. Seek waiver under Art (XXV), GATT.

From foregoing it can be seen that failure of Belgians actually to deny dollar import licenses gives them time to select among above 3 courses. USReps made clear to Belgians fol:

1. Belgian restrictions against dol imports wld not have any effect upon US attitude in negots on gold-credit settlement under EPU or upon other negots we might have with Belgs bilaterally or multilaterally. Although Belgians vigorously denied import measures were bargaining device, they expressed keen interest in various sources dol income (e.g. off-shore purchases, etc.) as possible solution to their difficulties. Consequently, we are still left with impression that the restrictions are tactic rather than fundamental change in trade policy.[3]

2. While we cld make no definitive statement on applicability of IMF Art XIV to Belgian case, we believed this approach amounted to technical circumvention of GATT given the background against which Belgs imposing restrictions. Consequently, avoidance of GATT procedures wld have very serious implication upon integrity and future of organization. As a matter of policy, felt advisable Belgians shld proceed under GATT Art XII.

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[1] George Bronz, Special Assistant to the General Counsel, Department of the Treasury, member of the United States Delegation at Geneva.

[2] John W. Hight, Economic Specialist, Office of the Special Representative in Europe (OSR), Economic Cooperation Administration (ECA), Paris.

[3] Documentation on these matters is in volume IV.

Remarks in part based upon assumption that Belgian financial position wld not receive [Fund's] scrutiny if IMF Art XIV applies. Some doubt within USDel whether invocation Art XIV requires thorough examination of Belgian financial position by funds to determine if necessary for Belgians to apply these restrictions. If such exam required we wld have no real objection to this approach by Belgian and Bronz considers it decidedly preferable. At same time, any Belgian preference for IMF Art XIV procedure might well disappear since in our discussions Belgians seemed to hold views that scrutiny their financial position cld be avoided by IMF Art XIV alternative.

Belgians here seem to favor that course and we understand De Selliers [4] has discussed matter with Southard [5] and others at Fund.

Belgians, while making frequent refs to financial plight, do not seem convinced cld make case called for under GATT Art XII except under completely pessimistic and probably unrealistic assumptions as to dol revenues.

Suetens proposed joint meeting Monday with Saad.[6] Wld appreciate your comments advice by then.

Sent Dept Tagg 60 rptd info Paris 83, Brussels 11.

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[4] Ernest De Selliers, Executive Director for Belgium, IMF.

[5] Frank A. Southard, Jr., Executive Director for the United States, IMF.

[6] Ahmed Zaki Saad, Executive Director for Egypt, IMF. In this context Saad is referred to in his liaison capacity as the Fund's consultative representative at sessions of GATT when consultations with the Fund were required.

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394.31/10–451 : Telegram

*The Acting Secretary of State to the United States (GATT) Delegation* [1]

CONFIDENTIAL WASHINGTON, October 5, 1951—8:01 p. m.

PRIORITY

Gatt 75. Tagg 60, Oct 4.

1. Concur advisable Belg proceed under GATT Art XII.

2. Also concur strongly advisable not accept interpretation GATT and Fund Arts which renders meaningless procedures GATT Arts XII and XIV.

3. Re Art XIV of Fund, Belg as former occupied country wld be entitled introduce new restrictions without prior consent of Fund. Note, however, that under Sec 4 of Art XIV Fund can at any time make representations in exceptional circumstances to any member that conditions are favorable for withdrawal restrictions. Thus in Belg case Fund provisions, while not requiring review of Belg finan situation, wld permit such review at initiative of any other member of Fund.

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[1] Repeated to Paris for OSR as 2034 and to Brussels as 474.

4. Del shld make clear to Belgs that any suggestion we may make to them on procedure does not imply US support for or concurrence in Belg claim need or justification restrictions against dol area.

5. ECA and Treas concur.

WEBB

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394.31/10–951 : Telegram

*The United States (GATT) Delegation to the Secretary of State*

CONFIDENTIAL GENEVA, October 9, 1951—7 p. m.

Tagg 71. Re Belg dollar import restrictions. Suetens advised US del Oct 8 that Belg has dropped intention use Art XIV IMF and now favors Art XII GATT as most appropriate. However indicated Art XXV GATT still attractive and wld be willing accept outcome ⅔ vote. Canads have made strong representations to Belg del for immed removal restrictions. Suetens leaving for Brussels Thurs to return Geneva fol Tues. Indicated he personally favored withdrawal restrictions and wld urge that course on govt. Matter will not be raised now in CPs at least until Suetens return Oct 16 or 17. Meanwhile Suetens advises (Oct 9) that Saad favoring use Art XIV. Will discuss this with Saad promptly.

Dept also pass Ottawa, sent Dept Tagg 71, rptd info Paris 87 for OSR, Brussels 12, Ottawa 1.

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394.31/10–1151 : Telegram

*The United States (GATT) Delegation to the Secretary of State*

CONFIDENTIAL GENEVA, October 11, 1951—3 p. m.

Tagg 75. Leddy and Corbett attended mtg yesterday with Suetens and Janson of Belgian del, Saad and Friedman [1] of IMF, Isbister and Reisman of Canadian del. Belgians reported that final agreement on EPU deal almost reached and Belgium wld take six measures including restrictions of dollar imports (see Repto 5093, October 9).[2]

In accordance with instructions we reiterated our view that most suitable way of handling matter was under Article XII of GATT. We pointed out, however, that if Belgium took position measures fell under Article XIV of Fund it was probable that US wld initiate action for Fund representations under that article. Canadians agreed and argued strongly that Belgium should initiate consultation under Article XII. Saad demurred somewhat, implying preference for Article XIV. Belgians, in remarks during mtg, also expressed preference for Article XIV of IMF. Janson feels criteria of Article XII of

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[1] Irving S. Friedman, Director of the Exchange Restrictions Department, IMF.
[2] Not printed.

GATT too narrow for Belgian case. Privately Suetens indicated to Leddy his preference for Article XXV of GATT and left impression he wld so recommend to his govt.

Canadians repeated that if Belgium failed to put matter to GATT, they wld raise matter themselves and wld press either under Article XII 4(*d*) or Article XXIII. Also indicated they wld press issue in Fund if Belgium chose Article XIV of IMF. Net of discussion is matter will receive serious consideration in GATT or Fund or both and no Belgian move can avoid this.

Belgians here continue to imply they have recd approval, tacit or otherwise, from EPU Managing Board and US reps in Paris for dollar import restrictions. We said our info was to contrary and that US rep on Managing Board had made strong statement. It wld be more than helpful if OSR cld put these oral statements in writing for benefit of Belgians.

Canadian del has suggested that, if Belgium proceed under Article XIV of Fund, wld be desirable for Canada and US take joint action raise matter in GATT under Article XII 4(*d*) or Article XXIII. US del requests authority develop joint approach with Canada along these lines if necessary.

Dept pass Ottawa; sent Dept Tagg 75, repeated info Paris 88 (for OSR), Brussels 13, Ottawa 2.

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394.31/10–1151 : Telegram

*The Secretary of State to the United States (GATT) Delegation* [1]

CONFIDENTIAL
PRIORITY

WASHINGTON, October 11, 1951—7:18 p. m.

Gatt 88. 1. Re para 2, Repto 5093, rpted Geneva as Repto 83.[2] We assume some type of exchange control by Belg in order to prevent concealed capital movements and trans-shipments is essential part of any complete solution. Whether or not control of Belg exports to EPU area is necessary depends on full consideration of alternatives but we see no possible need for export controls differentiated by products and by EPU-currency countries selected by Belg on basis of bilateral bargaining.

2. If Belg reserve position such that she could qualify for application import restrictions under GATT Art XII, Belg wld be entitled apply export controls under Art XIV–4. If her reserve position such, however, that Belg not entitled operate under Art XII, then export controls wld appear be violation GATT. Even though Belg might not meet tests Art XII, there might still be good reasons allow her apply

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[1] Repeated to Paris for OSR as 2154, to Brussels as 498, and to Ottawa as 99.
[2] Not printed.

export controls, namely avoid what amounts extension forced credit by Belg as result Belg exports EPU countries, plus drain real resources and increased inflationary pressure Belg in such circumstances. If these reasons found sufficiently compelling, GATT CP's cld grant Belg waiver under Art XXV.

3. In light foregoing, if export restrictions were determined to be necessary and Belg not entitled operate under Art XII, we are considering fol approach:

(*a*) Acting under Art XXV, CP's wld authorize Belg to impose export restrictions to extent nec meet EPU problem under fol conditions:

(i) Authorization impose such restrictions shld be limited definite period of time, say for next three months during which EPU interim solution applies or until Seventh Session GATT;

(ii) Such restrictions are not to be used for any of purposes enumerated in Working Party "D" Report QR's Fourth GATT Session; [3]

(iii) Such restrictions shld be applied on nondiscriminatory basis as among EPU-currency countries.

(*b*) In OEEC, condition use Belg export restrictions on prior clearance by OEEC trade committee.

4. We are also considering possibility that even if Belg can qualify for application export controls under Art XIV–4 so that no GATT waiver nec, might be desirable try through OEEC to condition Belg application such restrictions. For example, even if Belg cld justify under XIV–4 controls to direct exports of, say steel, to dol area to increase her convertible earnings, might be desirable to limit her freedom to do so in order avoid impairing defense effort OEEC countries. Hence, as part of interim solution EPU problem, Belg might be required obtain prior OEEC approval export restrictions even if there is no question right Belg apply such restrictions under GATT.

5. Provisos para 3(*a*) above believed important because of indications Belgs even now using export restrictions to enforce tie-in sales in bilateral agreements, linking soft-goods with hard goods. We intend propose this practice be examined in OEEC for bearing on size Belg EPU surplus.

6. Note we are not prepared authorize import restrictions by resort to Art XXV. Appreciate tactical risk in proposing use of Art for export restrictions while unwilling to permit resort to Art for import restrictions.

7. Request your comments and those OSR on foregoing, which represents our preliminary thinking on substantive issues involved.

8. ECA and Treas concur.

ACHESON

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[3] For documentation on the problem of quantitative restrictions at the Fourth Session of the GATT, see *Foreign Relations*, 1950, vol. I, p. 692 ff.

394.31/10-1251 : Telegram

*The United States (GATT) Delegation to the Secretary of State*

CONFIDENTIAL NIACT GENEVA, October 12, 1951—4 p. m.

Tagg 81. Ref Tagg 60, rptd Paris 83, Brussels 11; Tagg 75, rptd Paris 88, Brussels 13; Gatt 88, rptd Paris 2154, Brussels 498; Repto 5093,[1] rptd Geneva 83, Brussels 352.

1. USDel has recd copy of report EPU Managing Board on Belg EPU surplus prob. Understand summary and copy of report transmitted Washington by OSR. However, wish call attention Fon Section's report dealing with dol import restrictions:

*a.* Part I, para 7, states: "The Board wishes to emphasize that the extent to which these restrictions will enable a market to be developed in BLEU[2] for further goods from EPU countries, will depend to a large extent on the firmness and resoluteness with which the restrictions are administered, and the extent to which Belg importers are forced, thereby, to look to EPU countries for the goods which they formerly obtained in the dol area."

*b.* Annex giving factual statement represent and proposed measures deal surplus prob states in part:

> "(1) The Belg and Luxembourg Govts have imposed further restrictions on imports from the dol area.
>
> "In principle all imports from the dol area which can be bought in the EPU area will in future be prohibited. Exemptions will be granted in the case of raw materials and essential goods as well as imports which if prohibited wld lead to substantial price increases.
>
> "These measures cover all imports payable in dols but will, in fact, chiefly affect purchases from the US and Canada, since the other countries of the dol area only supply essential raw materials". Total cut in dol imports from US and Canada apparently will run at about $80 million annually.

2. Appreciate fact that MB report not binding on govts until approved by OEEC and that specific conclusions and recommendations in report merely state MB "welcomes these measures as useful contribution to solution of problem" and does not specifically approve dol restrictions. Nevertheless, approval by OEEC of recommendations in context whole report wld inevitably be taken to mean OEEC and US approval of restrictions.

3. Connection para 2, USDel continues receive statements from Belgs here that OSR reps in Paris have taken position implying approval of dol restrictions or at least have not effectively objected. Belgs obviously seeking split US Govt on matter by playing off our interest EPU versus our interest GATT and Fund. Most effective way US can make its position clear is for OSR to file written statement spe-

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[1] Not printed.

[2] Belgo-Luxembourg Economic Union.

cifically disavowing approval by US of restrictive measures in absence of convincing demonstration in GATT and Fund that they are necessary on balance payments grounds. USDel strongly urges that such statement be made immediately during period next few days when Belg del GATT will be consulting Brussels.

4. View USDel on basis facts available here is that dol restrictions cannot be justified balance of payments grounds. It shld be recalled that Belgs have not yet attempted officially or in informal conversations to justify dol import restrictions on foreign exchange position of country and in fact have stated it constitutes a step backward on the road to convertibility (see OEEC Doc C(51) 298 Sept 5, 1951).[3]

View foregoing, only tenable position US can take, without seriously undermining GATT and Fund balance of payments principles, is that balance of payments justifications must be shown. To be effective, this position shld be held with equal force in Paris, Washington and Geneva. Accordingly, USDel wld appreciate prompt reply Tagg 75. Pls also confirm whether if Belgs proceed under Art XIV of Fund US Fund reps will institute scrutiny Belg position under Fund Art XIV, para 4.

5. Appreciate analysis export controls aspects GATT but our primary concern now is with dol import controls and US position thereon.

Sent Dept niact Tagg 81; rptd info Paris (for OSR) 92, Brussels 14.

[3] Not printed.

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ECA Message Files, FRC Accession 53A278: Telegram

*The Acting Administrator of the Economic Cooperation Administration (Bissell) to the Office of the Special Representative in Europe, at Paris* [1]

SECRET WASHINGTON, October 13, 1951—5:16 p. m.

Subject: Belgian Restrictions

Reference: (1) Toeca 470, rptd Paris Torep 482; [2]
(2) Tagg 75 rptd Paris 88, Brussels 13, Ottawa 2;
(3) Tagg 81

Torep 7676. 1. In view of (*a*) report that Belgs making use in Geneva alleged OSR approval their new policies (*b*) probability this is intended to develop split in US Govt, (*c*) danger that Belg will try to make repeated use of any such split to strengthen their hand in negotiating terms EPU settlement, concur in suggestion reftel 2 [3] that OSR put into writing for Belgs or OEEC as appropriate position it has taken in EPU MB and OEEC on dollar import restrictions, assuming position remains as indicated in Torep [*Repto*] 4541 [4] Sept

[1] Cleared in substance with Leonard Weiss, Assistant Chief, Commercial Policy Staff, Department of State.
[2] Not printed.
[3] Tagg 75.
[4] See the second footnote 1, p. 1480.

12 (rptd Brussels as 310) that OEEC has made no recommendation as to specific measures to be taken by Belg and has passed no judgment on measures announced by Belg. State feels this needed by GATT del within 3 days.

2. Assume such statement wld also (*a*) confirm that any remarks made by OSR observers in OEEC were technical and informal and directed to possible effectiveness from EPU point of view alone of measures in question (*b*) state that US Govt will deal with aspects touching GATT, IMF or other intl agreements only under procedures established by these agreements, (*c*) state that OSR did not intend to give advance indication of attitude US Govt might take if Belg measures should in future be reviewed under these procedures.

3. Of Belg measures, restrictions on dollar imports may prove the most embarrassing to US. Since we expect they will have little effect on EPU surplus Belgs may consider this measure especially likely to draw US protest. While anxious not to protest in a way which wld imply US responsibility for continued Belg surpluses in EPU, recommend that you try to get OEEC to modify the language of MB report cited in reftel 3.[5] This could be done in either or both of the following ways: (*a*) by addition of such a phrase as "so far as can be reconciled with intl obligations of Belgium"; (*b*) by changing language to negative admonition to refrain from dollar import restrictions which would not have important effect in adjusting Belg EPU position, thus avoiding language which directly calls for strong dollar restrictions.

Rptd info AmEmbassy Brussels Ecato 550.

BISSELL

[5] Tagg 81.

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394.31/10–1551 : Telegram

*The Secretary of State to the United States (GATT) Delegation*[1]

CONFIDENTIAL WASHINGTON, October 15, 1951—7:31 p. m.

PRIORITY NIACT

Gatt 94. 1. Del authorized proceed in Belg dol restrictions case along fol paras.

2. Del shld consult fully with Can on approach in GATT. However, since Can interests in Belg EPU problem distinguishable in some respects from our own, prefer Can put item on agenda and prefer Del present US case separately.

3. In plenary discussion, Del shld make fol pts: (*a*) Justification for QR's must rest on dol balance-of-payment grounds as set out Art XII; (*b*) on basis facts so far known to US, Belg situation does not

[1] Repeated for information to Brussels as 518, Paris as 2231, and Ottawa as 103.

justify QR's on such grounds; (*c*) in any case, consultations with CP's under Art XII shld begin at once.

4. FYI, we anticipate that in ordinary course consultations will take some time, and that some elements of Belg problem, such as extent of US offshore buying in Belg and Belg contribution to mutual defense efforts through extension financial assistance to rest of Eur, may have crystallized somewhat in interim.

5. You shld inform Belgs privately that we recognize difficulty in solving Belg EPU problem and that solution will undoubtedly require reduction of surplus to be settled through EPU. You shld make clear that we do not regard dollar import restrictions as an essential element in solution EPU problem on basis of our understanding of present circumstances, and that this conclusion will be basis our position in any forum in which issue becomes germane. Position we are taking on dollar import restrictions leaves Belg with number of other methods dealing with EPU problem, e.g., measures announced by Belg to restrict EPU exports directly, provided such measures are properly conditioned (see Gatt 88, Oct 11). We hope one of elements in solution will be substantial contribution by Belg to other NATO countries as part of its defense effort.

6. This is joint ECA–State cable. Commerce, Treasury, FRB, Ex-Im Bank concur.

ACHESON

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394.31/10–1651 : Telegram

*The Secretary of State to the Embassy in Belgium*[1]

CONFIDENTIAL WASHINGTON, October 16, 1951—6:40 p. m.

PRIORITY NIACT

525. Dept informed Belg Govt officials uncertain whether position set out Deptel Gatt 94 Oct 15, rptd Brussels 518, Paris 2231, in fact represents coordinated position US Govt. If Emb thinks high level approach to Belg Govt wld assist in dispelling such doubts, Emb requested make such approach immediately. Emb shld be guided by position set out in reftel.

ACHESON

[1] Repeated for information to Geneva for the U.S. GATT Delegation priority and niact as 97, to Paris for OSR priority and niact as 2249, and Ottawa as 105.

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394.31/10–1751 : Telegram

*The Chargé in Belgium (Millard) to the Secretary of State*

CONFIDENTIAL BRUSSELS, October 17, 1951—7 p. m.

536. Ref (*a*) Deptel niact 525, rptd info Ottawa 105, niact Geneva Gatt 91 [97], Paris 2249, Oct 16; (*b*) Deptel sent Geneva Gatt 94, rptd info Brussels 518, Paris 2231, Ottawa 103, Oct 15.

Discussed with Acting Foreign Minister Meurice today substance reftel (*b*) and left with him memo embodying points covered.[1] Stressed particularly that this was in confirmation discussion already held Geneva by US del with Belg del GATT. Also that US Govt position was among other things that Belg dollar import restrictions not regarded as essential element in solution EPU problem on basis US Govt understanding of present circumstances and that other measures available and considered more appropriate. Emphasized also US view that consultations with CPs under Article XII should begin at once.

Meurice said he wld give this his immediate attention and wld take up with Suetens, chief Belg del GATT. He expressed general understanding of problem and was already familiar with general outlines of situation.

Dept pass Ottawa; sent Dept 536, rptd info Ottawa unnumbered, Geneva 27 (for GATT Del), Paris 117.

MILLARD

[1] For text, see enclosure 1 to Brussels despatch 548, November 6, 1951, p. 1504.

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394.31/10-2351 : Telegram

*The United States (GATT) Delegation to the Secretary of State*

RESTRICTED GENEVA, October 23, 1951—7 a. m.

Tagg 106. Summary Oct 22 plenary.[1] Belg restrictions.[2] Belg del outlined BLEU prob of rapidly increasing credits to EPU countries which necessitated fol measures: (1) limitation exports to EPU countries; (2) control payments recd from EPU countries; (3) suspension obligation repatriate fon currencies EPU countries; (4) five percent levy on proceeds export transactions to EPU (funds blocked for six months); and (5) restrictions imposed purchase certain dol imports. Explained latter necessary encourage purchases payable EPU currencies. Stressed purpose all measures to limit amt new credits and asked point 5 be considered element integrated policy to be judged basis whole. Pointed out EPU managing board accepted measures and decided BLEU shld take all measures within power to encourage imports from member countries. Pointed out Belg press has noted increased Belg holdings inconvertible currencies as result surpluses. Stated Belg cld not claim substantial lowering monetary reserves but did claim threat to gen Belg financial stability. Belg feels measures fall within Art XV of GATT. Felt GATT language complicated, not

[1] Meeting of the Contracting Parties.

[2] The Belgian and United States statements cited in this telegram are in GATT Files, Lot 66 D 209, Box 454, "GATT 6th Session—Reports": Doc. GATT/CP.6/44, 22 October 1951 (the Belgian statement) and Doc. GATT/CP.6/50, 24 October 1951 (the United States statement). Both were made on October 22.

precisely applicable this particular problem, but that GATT rules in gen applied and willing to consult. Asked case be judged spirit comprehension and justice.[3]

US del stated US Govt extremely disturbed Belg decided impose QR's against imports from US, both because effect on US and because this step backward in goal of expansion multilateral trade and convertibility taken by country which made such great steps recovering from war and enemy occupation. Stated restrictions, already in effect altho not published, will reduce dol imports about 18 percent, which substantial cut. Pointed out gold and dol reserves increased. Referred Belg obligations under Arts XII 2(*a*), XII 4(*a*), X. US feels integrity, usefulness GATT jeopardized if country imposes QR's without abiding by GATT rules that such restrictions only justified by country's BOP position. US unable to accept view that because these measures taken under Art XV and fund Art XIV this exempts them from scope of XII. Decision must be on whether justified by BOP reasons. US feels history case shows Belg QR's devised provide special preference West Eur goods and not protect reserves. Pointed out OEEC Council decision was that BLEU cld take measures "open to them" to reduce surpluses; US feels measures taken by Belg not open to them. US does not share belief restrictions necessary to EPU. Suggest normal procedures agreement be adhered to and WP in consultation IMF determine whether measures meet agreements BOP criteria.

Canadian del questioned Belg lack of consultation until now, felt added doubt about measures. Canadian urged removal restrictions, consultation under XII prior reimposition. If Belg wanted to claim QR's and exchange restrictions as well, XII consultations shld commence and IMF might initiate own consultations. Canadian also felt problem arises whether agreement is to continue as effective internatl instrument.

UK del pointed to difficult problems facing EPU and urged CP's avoid hasty decisions which might affect EPU. UK feels matter essentially trade restrictions, shld be dealt within GATT under Art XII 4(*a*). Suggested WP be established to proceed with consultation, entering into all aspects Belg problem, and report CP's. Fr del. referring complicated legal problem, number texts applying, suggested not going too closely into texts but rather into gen spirit of agreement as in US-Czech withdrawal.[4] Agreed with UK on setting up

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[3] The official text of the Belgian statement included a protestation that the Governments of Belgium and Luxembourg "had no protectionist aim in view" and that they hoped "to limit to a minimum the duration of these measures." The restrictions were described as having "been envisaged exclusively with a view to easing the Belgo-Luxembourg Union's credit position in the European Payments Union." The Belgian Delegate stated with emphasis: "Nothing in our recent action, at all events, is ground for the assumption that Belgium is about to alter the fundamentals of its commercial policy." (Doc. GATT/CP.6/44, 22 October 1951, GATT Files, Lot 66 D 209, Box 454)

[4] For documentation regarding this subject, see pp. 1381 ff.

WP and on importance from point view EPU as well as gen agreement. Cuba opposed restrictions not justified BOP grounds, also felt agreement impaired by such restrictions. Supported consultations under XII 4(*a*).

Belg del pointed out Belg reserve situation not as healthy as appeared because part of reserves inconvertible. Nevertheless, stated clearly and emphatically Belg justification not based on dol balance of payments. Belg insists Art XV text applying this case and willing engage in consultations under XXII. Wld agree to WP but cld not agree to ref to specific art under which action taken, particularly cld not agree to XII, which implies BOP justification.

US del supported UK proposal for consultations under XII 4(*a*) with terms ref of WP similar South Africa.[5] Felt WP with gen terms ref wld serve no useful purpose, and that only suitable provision XII 4(*a*). Stated Belg applying both QR and exchange restrictions. Latter within jurisdiction of Fund, former within jurisdiction of GATT. Again disagreed with view that resort Art XV eliminated need for justification under Art XII.

In summarizing chairman stated agreement on one point—Belg shld consult with CP's. Since division of opinion on art or arts applicable suggested question of terms ref be reverted to latter, after agreement reached outside plenaries.

Sent Dept Tagg 106, rptd info Paris for OSR 101, Brussels 16.

[5] For documentation regarding the question of the South African import restrictions, see *Foreign Relations*, 1949, vol. I, pp. 651 ff., and *ibid.*, 1950, pp. 721 ff.

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*Editorial Note*

In a summary of the situation regarding the Belgian dollar import restrictions, made at the plenary meeting on October 26, the Chairman of the Contracting Parties, Mr. Johan Melander, of Norway, pointed out that, while Belgium considered that it was acting within the terms of the General Agreement, the United States and Canada felt that Belgium had departed from the provisions of the Agreement. The Chairman noted that any government in disagreement with the Belgian position had the right to initiate proceedings for redress but urged that such countries give the matter careful consideration before doing so. The Chairman suggested that the Contracting Parties note the statements by the various delegations and not pursue the matter further at the Sixth Session in view of the Belgian statement that the Belgo-Luxembourg Economic Union was not altering the fundamentals of its economic policy, that it intended to abide by the rules of the General Agreement, and that the dollar restrictions might be removed in the near future. The Chairman proposed then that the

record be allowed to stand as he had summarized it. In his opinion the integrity of the General Agreement would be preserved by this proposal, which did not adversely affect anyone's rights. (Doc. GATT/CP.6/SR.26, 29 October 1951, Summary Record of the 26th meeting of the CP's, October 26, GATT Files, Lot 63 D 134, Box 268)

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394.31/11-251 : Telegram

*The Ambassador in Canada (Woodward) to the Secretary of State*

SECRET OTTAWA, November 2, 1951—4 p. m.

78. While definitive govt position not determined Canada probably will urge upon us desirability pressing in IMF case against Belg import restrictions. Commercial policy experts convinced Belg position unjustifiable and failure to obtain removal restrictions will discredit GATT and strengthen position of critics that other countries ignore GATT and nullify concessions to Canada whenever convenient. So-called practical trade experts also favor vigorous action owing importance Belg market.

Canadian GATT del now returned Ottawa believes case against Belg can be won in IMF. They convinced basic reason Belg restrictions dollar imports has been pressure from UK which desires thereby lessen competition. They believe UK cannot strongly support in IMF Belg contention its restrictions are exchange restrictions authorized by Art XIV. They point out UK and Australia have consistently maintained that their own restrictions, similar to those of Belg, are import restrictions, not exchange restrictions; and therefore under GATT, not IMF agreement.

Canadian delegation think vigorous stand by US and Canada probably will lead Belg to rescind restrictions without actually arguing case in IMF. They suggest strong notes by US and Canada in immediate future notifying our intention pushing issue in Fund and requesting reconsideration Belg position. We wld wait long enough for full consultation Belg and UK but make clear we are firm in determination raise issue in Fund without undue delay.

Emb informed that Wolfson, Canadian alternate at IMF, opposes pressing Belg case in Fund but commercial policy experts Ottawa convinced his personal views will not prevail. They intimate his views reflect at least in part discussions with US Treasury experts.

Info in this tel believed reliable. It was, however, obtained chiefly one high ranking expert. Owing preoccupation Canada with other matters and absences from Ottawa by some officials, Emb has not yet been able check other sources.

Sent Dept 78, rptd Brussels unnumbered.

WOODWARD

394.31/11-351 : Telegram

*The Acting Deputy Special Representative in Europe (Riddleberger) to the European Cooperation Administration*

CONFIDENTIAL PRIORITY PARIS, November 3, 1951—5 p. m.

Ref: (*a*) Torep 7702,[1] rptd Brussels Ecato unnumbered Oct 15; (*b*) Deptel 2231 (Oct 15), sent Geneva Gatt 94, Brussels 518, Ottawa 103.

Subj: Maximizing Eur defense effort and economic unification in relation to dol import restrictions.

Repto 5531. 1. OSR believes necessary re-examine position taken (and implication thereof) in reftels and related messages Wash series on Belg dol import restrictions in relation to solution Belg EPU problems and Belg's obligations GATT and IMF. Our concern with practical impact this position on achievement of US objectives in Eur and not from any doubts re validity ultimate and longer range objectives of US executive branch in establishing liberalized multilateral non-discriminatory trade and payments system over as much of world as possible.

2. We start from firm conviction that under political and economic conditions facing us we must continue efforts promote Eur economic unification (and political federation) including transfer requirements of EDF and Schuman Plan in addition to basic purposes maximizing Eur defense effort. These purposes are specifically stated in Mutual Security Act 1951 (continued functioning of the EPU) or some such central payments settlement (mechanism) and its Siamese-twin trade liberalization code is indispensible for (*a*) enhancing the defense effort of the Eur NATO countries, and (*b*) forming one of the most important nuclei around which Eur economic integration and political federation may be achieved. Without EPU and code we shld face collapse of intra Eur trade and payments. We shld therefore seek such solutions of Belg's EPU problem as will not interfere with Eur defense effort and keep Belg full and effective partner in EPU. Of course solution must minimize US dol contribution. Cannot continue to finance Belg nonessential imports from US through interest dol assistance.

3. Our understanding is that Belg does not believe her dol restrictions (QR's or exchange restrictions) can be justified under relatively narrow criteria arts XII, XV, GATT or XIV fund. on grounds dol balance of payments difficulties. Ref cables appear to imply must be justified on this ground and that in view Belg's reserve position. there is no case for Belg dol restrictions. However. fact that Belg has admitted impossibility justification under art XII GATT and proposes automatic facilities art XV GATT and XIV fund must cause US

[1] Not printed.

consider other factors situation in determining position on justification. We feel there may be serious question, in light objectives US policy indicated para (2), whether narrow provisions substantive arts GATT and Fund applicable Belg situation unless appropriate definition given to art XIV fund. Valid case cld be made, in terms substance IMF objectives, for particular currency restrictions under XIV fund as step towards creation of vast multilateral trade and payments area. Alternative is bilateralism for large part of trading world.

4. Re suggestion that Belg use other methods to remedy her imbalance with EPU or to finance it, we must be extremely careful that such other methods do not lead to a lessening of her maximum defense effort which yet remains to be made or to undercutting the defense efforts other countries. We assume that TCC exercise will lead to larger defense burden for Belg, which wld be reflected one way or another in form smaller Belg EPU surplus. This will act as partial but probably not sufficient corrective to EPU surplus. As increased defense effort wld probably be accompanied by internal credit expansion, which wld cause an increase in demands for both EPU and dol goods. Belg, in order to reduce resulting increase in dol deficit wld stress diversion of exports from EPU area to dol area. However, Belg [garble] exports are primarily hard goods (raw materials and metal products) needed by her own producers and other EPU countries for their defense efforts. Hence the results of any diversion are not likely to help the defense efforts per se of other NATO countries unless part of a NATO-wide agreed scheme for defense export controls which has not yet been devised.

To extent that Belg does divert essential exports from NATO–Eur area, whether in context of internal expansion or to reduce EPU surplus, NATO countries will look to dol area as (*a*) physical source, and (*b*) source financing their increased dol needs. Therefore any extensive diversion Belg exports to meet dol deficit wld be harmful Eur defense efforts and in end require additional US dol assistance.

If, however, Belg permitted exports to flow to EUP [*EPU?*] area freely without forced diversion to dol markets, she wld count on EPU dol earnings to offset her dol deficits, and wld expect assurances therefor. Problem is how much can be paid. Under present circumstances these dols wld have to come either from the US by additional contribution or from EPU debtors who themselves are in financial difficulties and expected carry maximum defense effort. Wish Belg to solve problem in way cheapest to US and most effective in terms of defense program.

Finally, if Belg withdrew from EPU and returned to bilateral gold settlements with her EPU partners we cld certainly expect sharp trade restrictions against Belg, with retaliation by her, and a breakdown of whole liberalized trade and payments structure thus far built

up in Eur through ERP. Hence it appears to us that the "other means" open to Belg to deal with her dol deficit may directly injure Eur defense effort and retard seriously closer Eur integration.

5. Strongly feel that US defense objectives clearly require greater rather than less Eur cooperation. Greater Eur defense efforts may well call for intensified dol restrictions generally, since Eur less able afford "non-essentials" than US. Under these circumstances precipitate formulation and declaration US policy re Belg restrictions dol imports solely on basis some interpretation articles GATT or fund wld clearly tend to confuse Europeans and weaken our efforts obtain kind of Eur unification and defense effort we are pressing for. It shld be fully appreciated that if Belg dol restrictions will make it possible for Belg to make greater contribution to these ends, US willingness to accept these temporary measures strengthens our arguments for maximum defense effort, and wld make any legalistic objection seem ill-advised.

6. In view current and forthcoming discussions burden sharing, future of EPU, offshore procurement volume and techniques, etc., and since Belg issue temporarily suspended in GATT, strongly urge that US interpret Belg measures as consistent with XIV fund and postpone any further consideration of matter. We hope to make concrete proposals re such re-orientation of Belg trade pattern as may be necessary to meet requirements of NATO defense program, transfer problem of EDF and Schuman Plan as well as economic integration of Eur generally.[2]

RIDDLEBERGER

[2] For documentation regarding the Mutual Security Act of 1951, see pp. 266 ff. For documentation relating to the development of the North Atlantic Treaty Organization (NATO) and United States financial assistance for the defense of Western Europe, see vol. III, pp. 1 ff.

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394.31/11-551 : Telegram

*The Chargé in Belgium (Millard) to the Secretary of State*

CONFIDENTIAL BRUSSELS, November 5, 1951—6 p. m.

631. ReDeptels 518, Brussels October 15, sent GATT Geneva 94, rptd Paris 2231, Ottawa 103; 525 Brussels October 16, rptd info Ottawa 105, Geneva Gatt 91, Paris 2249; and Embtel 536, rptd Ottawa unnumbered, Geneva Gatt 27, Paris 117, October 17.

FonOff reply to Emb October 17 memo re Belgian dol import restrictions recd today.[1] FonOff disagrees US opinion dollar import restrictions not essential factor in solution EPU problem. Belgian Govt considers it cannot neglect any means at its disposal to adjust its EPU credit position and dollar debit position in accordance with

[1] For French text, see enclosure 2 to Brussels despatch 548, November 6, p. 1505.

recommendation OEEC Council July 6, 1951. It was only in presence of imperative necessity that Belgian Govt decided on restrictive measure and Belgian Govt intends to continue it only for strictly indispensable minimum period. Belgian Govt holds opinion that since dollar import restrictions are based on exchange considerations and the necessity of reducing EPU surplus, they fall in category of measures contemplated by Article XV of GATT and hopes CPs will understand this view. On question further NATO contributions, Belgian Govt "underlines Belgium already fulfilling all of its obligations in framework of NATO."

Dept pass Ottawa: sent Dept 631, rptd info Paris 138 (pass OSR). Ottawa 1.

MILLARD

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394.31/11-651

*The Chargé in Belgium (Millard) to the Secretary of State*

CONFIDENTIAL BRUSSELS, November 6, 1951.
No. 548

Ref: Dept's Telegrams 518, Oct 15 and 525 Oct 16, and Embassy Telegrams 536 Oct 17 and 631 Nov 5, 1951.

Subject: Foreign Office note re Belgian dollar import restrictions.

In accordance with the Department's telegram No. 525 dated October 16, the Embassy presented to the Foreign Office the memorandum of October 17 (enclosure No. 1) based on the text of the Department's telegram No. 518 dated October 15, 1951. The representations made in Brussels and at the GATT Conference in Geneva were, therefore, closely coordinated.

The Foreign Office replied to this memorandum by a note dated October 31, 1951 (received in the Embassy November 5, 1951), the text of which is given in enclosure No. 2. The substance of this reply was communicated to the Department in Embassy telegram No. 631 dated November 5. It will be noted that the Belgian Government considered the recommendations made by the Council of OEEC on July 6, 1951, as concurring in its view that all measures at its disposal should be adopted to redress its position in the EPU (obviously one of the means which would contribute to this objective is the restriction of dollar imports). The Belgian Government considers that this measure qualifies for waiver of the non-discriminatory obligations under the GATT by a broad interpretation of Article XV. The only statement in the note which has not been made before by the Belgian Government is the assurance that the Belgian and Luxembourg Governments "count on reducing the term of application (of the restrictive measures in question) to the strictly indispensable minimum." The suggestion made

in the Embassy memorandum that "a substantial contribution by Belgium to other NATO countries" be considered as an element in the solution of the EPU problem is only answered by the statement that "Belgium is already fulfilling, at the present time, all of its obligations in the framework of NATO."

The Embassy finds the attitudes expressed in this note entirely consistent with the position taken by responsible Belgian Government officials in all discussions since the measure was first announced.

For the Chargé d'Affaires, a.i.
PATTEN D. ALLEN
*Commercial Attaché*

Enclosure 1

*The Embassy in Belgium to the Belgian Ministry of Foreign Affairs*

BELGIAN IMPORT RESTRICTIONS—EPU PROBLEM

In confirmation of the United States Government position regarding the subject restrictions as conveyed to the Belgian Delegation by the United States Delegation at the meeting of the contracting parties to the General Agreement on Tariffs and Trade being held currently in Geneva, the following memorandum is respectfully submitted:

The United States Government considers that the justification for the quantitative restrictions on imports from the United States and other dollar areas recently imposed by the Belgian Government must rest on dollar balance-of-payment grounds as set forth in Article XII of the General Agreement on Tariffs and Trade.

On the basis of the facts thus far known to the United States, the Belgian situation would not justify the imposition of such quantitative restrictions on dollar balance-of-payment grounds. In any case, the United States Government considers it important that consultations with the contracting parties under Article XII should begin at once.

The United States Government recognizes the difficulty of solving the Belgian EPU problem and also recognizes that a satisfactory solution to that problem will undoubtedly require a reduction of the Belgian surplus to be settled through the EPU. However, it does not regard dollar import restrictions by the Belgian Government as an essential element in the solution of the EPU problem, on the basis of the United States Government's understanding of the present circumstances. This conclusion will be the basis of the United States position in any connection in which this problem may be raised. This position with regard to dollar import restrictions will, however, leave Belgium with a number of other methods of dealing with the EPU problem.

For example, the United States Government would not contemplate opposing the measures announced by the Belgian Government to restrict exports to EPU countries directly, provided such measures were in accordance with international obligations. The United States Government hopes that another of the elements in the solution to the EPU problem will be a substantial contribution by Belgium to other NATO countries as a part of its defense effort.

BRUSSELS, October 17, 1951.

Enclosure 2

*The Belgian Ministry of Foreign Affairs to the Embassy in Belgium*

Le Ministère des Affaires Etrangères et du Commerce Extérieur présente ses compliments à l'Ambassade des Etats-Unis d'Amérique et à l'honneur de lui faire part de ce qui suit:

Le Mémorandum de l'Ambassade du 17 octobre 1951 relatif aux réstrictions à l'importation récemment établies dan l'Union Economique belgo-luxembourgeoise en rélation avec le problème posé par la situation actuelle à l'intérieur de l'Union Européenne des Paiements a retenu toute l'attention du Gouvernement belge. Celui-ci ne peut partager l'opinion exprimée dans le Mémorandum d'après laquelle les restrictions en question ne sont pas de nature à constituer un élément essentiel de la solution du problème qui se pose. Le Gouvernement belge estime que, conformément à la recommandation du Conseil de l'O.E.C.E. du 6 juillet 1951, il ne peut négliger aucun des moyens à sa disposition pour obtenir une attenénuation du déséquilibre entre la position créditrice en Europe de l'U.E.B.L. et la position débitrice de celle-ci dans la zone dollar. Ce n'est d'ailleurs qu'en présence d'une nécessité impérieuse que les gouvernements luxembourgeois et belge se sont décidés à prendre les mésures restrictives en question dont ils comptent réduire la durée d'application au strict minimum indispensable.

De l'avis du Gouvernement belge, les restrictions imposées à l'achat de certains produits payables en dollars, étant uniquement déterminées par des considérations de change et la nécessité de résorber la créance de l'U.E.B.L. sur l'U.E.P., rentrent dans la catégorie des mésures prévues par l'article XV de l'Accord Général sur les Tarifs Douaniers et le Commerce.

Le Gouvernement belge espère que les Parties Contractantes à l'Accord Général comprendront ce point de vue.

En ce qui concerne le désir exprimé par le Gouvernement des Etats-Unis de voir la Belgique faciliter la solution du problème de l'E.P.U. par une contribution substantielle aux autres pays NATO, comme part de son effort de défense, il faut souligner que la Belgique

remplit déjà, à l'heure actuelle, toutes ses obligations dans le cadre NATO.

BRUXELLES, le 31 octobre, 1951.

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NAC Files, Lot 60 D 137 [1]

*Document Prepared in the Department of State for the National Advisory Council Staff Committee* [2]

CONFIDENTIAL [WASHINGTON,] November 20, 1951.
NAC Staff Doc. 547

RECENT EXCHANGE AND TRADE RESTRICTIONS IMPOSED BY BELGIUM

PROBLEM

What action should the United States take with respect to the import restrictions recently imposed by Belgium against the dollar area?

RECOMMENDATIONS

1. The United States should, either individually or jointly with Canada, inform Belgium

(*a*) that in our view its restrictions on dollar imports are of negligible value in meeting its intra-European trade and internal problems, and are inconsistent with its commitments under the GATT and with the provisions and objectives of the Fund; and

(*b*) that unless Belgium promptly removes the restrictions in question, we will raise the matter in the GATT and the Fund.

2. If Belgium fails promptly to remove the restrictions in question, the United States and Canada should, either jointly or separately, bring the matter up before the Fund and should seek action by the Fund for the elimination of the restrictions. In consideration of the matter in the Fund, the U.S. representative should be guided by Section F of the Discussion with regard to various points of interpretation which may arise regarding the applicability of the Fund provisions to the Belgian case.

3. Simultaneously with the action under paragraph 2 above, the United States and Canada, either jointly or separately should notify

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[1] Master file of the documents of the National Advisory Council on International Monetary and Financial Problems for the years 1945–1958, as maintained by the Bureau of Economic Affairs of the Department of State.

[2] The Staff Committee of the National Advisory Council on International Monetary and Financial Problems (NAC). The NAC was established in 1945 by the Bretton Woods International Agreements Act, July 31, 1945 (59 Stat. 512), and was an interdepartmental committee charged with coordinating the policies and operations of the representatives of the United States and its agencies with respect to the International Monetary Fund and the International Bank for Reconstruction and Development. The Department of State's NAC file is located in Lot 60 D 137.

the Executive Secretary of the GATT that they consider that the conditions set forth in Article XXIII have been created by the Belgian restrictions, that the matter is urgent, and that they wish the *Ad Hoc* Committee for Agenda and Intersessional Business to consider the problem.

4. The United States should promptly consult with Canada with a view to working out a coordinated approach along the lines indicated above.

DISCUSSION

A. *The Belgian EPU Surplus*

In late August Belgium's strong surplus position in the EPU resulted in her extending credit to the other EPU members in an amount which exhausted her quota of $360 million. A further $30–$40 million was made available by Belgium on the basis of 50% gold payment and 50% extension of credit to the EPU but the surplus continued to increase at a rapid rate and Belgium demanded a revised settlement arrangement. The development of the Belgian surplus is shown in the following table:

(*In Millions of Dollars*)

| | | |
|---|---|---|
| 1950 | 3rd quarter | — 2.8 |
| | 4th quarter | + 8.7 |
| 1951 | 1st quarter | + 83.6 |
| | 2nd quarter | +146.3 |
| | 3rd quarter | +188.0 |

After considerable negotiation, it was agreed that Belgium would receive a maximum gold payment of $80 million in the settlement of its trade for the last quarter of 1951 and would extend credit to the EPU for any excess over the $80 million.

It should be emphasized that Belgium does not have a balance-of-payments problem or a serious prospect of a balance-of-payments problem in the sense of having very low monetary reserves or a serious threat to her reserves. Belgian holdings of gold and convertible currencies have increased from $722 million in December 1950 to $785 million in September 1951 and a balance-of-payments projection prepared by ECA Brussels indicates that these reserves are expected to increase by $55 million during fiscal 1952 (calculated without reference to any dollar import restrictions). That Belgium's monetary reserves previously have not been considered unduly low is attested to by the fact that in connection with the review of balance-of-payments restrictions maintained under Article XII of the GATT, Belgium reported, both in 1949 and 1950, that she did not maintain such restrictions. Now her reserves are increasing from levels previously considered satisfactory. This does not mean, however, that her intra-European surplus problem is not serious. The maintenance of the surplus compels Bel-

gium to ship goods to the rest of Europe on credit, to countries whose future ability to pay is uncertain. Moreover, if she insists on demanding much more gold in payment for these goods, she imperils the existence of the European Payments Union and exposes herself to the possibility of discrimination against her by other European countries, along the lines which existed prior to the formation of EPU. This would be a hard blow to the progress so far made in the direction of European economic cooperation.

Accordingly, Belgium has taken a number of steps designed to reduce her intra-European surplus. (See Annex [*Appendix*] A for details.) The most direct measure has been the introduction of export restrictions on various products to the rest of Europe. Among the other measures aimed at the same objective has been the introduction of dollar import restrictions. These restrictions are designed to insure that, for most products, Belgians will buy in Europe any supplies that are available there, before turning to a non-European source.

B. *The Significance of the Belgian Action*

The first basis on which the Belgian action can be tested is whether it does what it is intended to do, that is, reduce the Belgian surplus and strengthen EPU. The short answer to this question is that it may slightly reduce the Belgian surplus problem, though at the risk of some unnecessary inflation in Belgium; and it will create new risks, grave in character, that the EPU will degenerate from its initial conception as an interim step toward world multilateral trade, to a simple preferential trading bloc which insulates Europe from dollar competition and impedes the rise of European productivity.

The conclusion that dollar restrictions will make only a small contribution to the Belgian surplus problem is based on the fact that the cut in dollar imports, according to tentative estimates, will be in the neighborhood of $20 million quarterly. Only a portion of this $20 million will be replaced by goods from other EPU countries, perhaps $8 to $10 million. Thus, the goods obtained would be higher priced and there would be less of them. But the magnitude of the Belgian intra-European surplus problem is indicated by the fact that for the last quarter of 1951 the surplus is estimated at $200 million to $250 million. At best, therefore, the contribution made by the dollar restrictions measure could only be described as modest. With respect to the internal financial stability of Belgium, the effect of the dollar restrictions, in so far as the total supply of goods available is decreased, may be inflationary.

The impact of these measures on the nature of EPU, however, is likely to be out of all proportion to their direct economic effect. EPU has been frankly a preferential system so far, but one whose avowed objective has been the ultimate reestablishment of world-wide multilateral trading. The preferential aspect of the scheme was to be

achieved by reducing restrictions among its members more rapidly than with the outside areas, not by raising new obstacles to goods from outside the area. The NAC decision authorizing the European trade liberalization movement states in part:

"The United States has consistently supported a reduction of trade barriers among OEEC countries and other steps toward effective economic integration of European economies that will contribute to a more efficient allocation of resources, provided that such steps are a part of a program designed to restore multilateral trade on a world basis and global convertibility of currencies."

The Belgian action, in imposing new barriers to goods from outside the OEEC area, violates the concept on which the program was initially supported by the United States. As presented by the Belgian representative to the EPU Managing Board on September 5, ". . . this step has been taken very reluctantly by the Belgian government which fears that it may lead to an increase in the level of prices and believes that it constitutes a step backward on the road to convertibility and is by no means justified by the financial or the foreign exchange position of the country." The new Belgian restrictions will interfere with the achievement of the objective of increasing efficiency and productivity.

More than that, the Belgian step sows the seeds for the dissolution of the European trade liberalization scheme itself. It recognizes that a country is entitled to channel its trade on a preferential basis with one or more other countries for reasons different than a simple lack of currency. This principle, *in extense*, means that the Scandinavians could channel their trade to one another, or that France could channel its trade to Italy, on the basis of any political or commercial consideration which seemed persuasive at the time.

The Belgian action is equally significant in its implications for U.S. commercial policy. The action of Belgium in imposing restrictions on dollar imports for reasons not related to safeguarding its external financial position and balance of payments imperils the maintenance of a liberal U.S. trade policy which will permit the rest of the world to earn dollars here. Congressional and public support for such a policy is already exceedingly tenuous. Congressional failure to approve the ITO Charter, the incorporation of restrictive amendments in the last renewal of the Reciprocal Trade Agreements Act, and the enactment of Section 104 of the Defense Production Act imposing, in violation of our international commitments, restrictions on imports of fats and oils and other products into the United States are a few of the indications of the weakness of the U.S. support for a liberal trade policy.

The Belgian action would fortify the enemies of U.S. trade policy and weaken the support of its friends. The GATT has always been the subject of criticism by certain domestic interests on the ground

549-782—79——96

that it permitted other countries to impose restrictions on U.S. goods while at the same time the United States was prohibited from taking such action. This criticism could be answered in the past on the basis that other countries did not have the financial resources to permit unrestricted importation of dollar goods, but in the Belgian case this justification admittedly does not exist. The GATT will undoubtedly lose support in this country if it appears that other members intend to evade their obligations when these begin to favor the United States.

A U.S. reaction in terms of further defections from the principles and objectives of a liberal trade policy may be one of the most unfortunate consequences of the Belgian action. The abandonment of the balance-of-payments test as a limitation on the imposition of quantitative restrictions may lead many people in the United States to the conclusion that the objectives of relatively free, multilateral trading and full currency convertibility cannot be achieved, and that the United States is being placed in the position of being the "goat" for foreign restrictionism. Such an attitude would likely be reflected in a reversal of our present trade policy of reducing trade barriers and may well lead to the adoption of trade restrictions by the United States for protective and other commercial purposes. Such action on our part could result in a drastic reduction in the dollar earnings of other countries, especially by the OEEC countries. This possible raising of additional obstacles to trade with the United States would thus frustrate the ECA program and retard the achievement of our re-armament goals.

C. *Belgian Position*

The Belgian delegation to the Sixth GATT Session has conceded that Belgium is not suffering from the type of balance-of-payments difficulties which, according to Article XII of the GATT, are a prerequisite for the imposition of quantitative import restrictions. They have maintained that the institution of dollar restrictions is necessitated by a threat to Belgium's general financial stability, arising from the large credits which she has been forced to grant as a result of her EPU surplus. Since consultations under Article XII would require Belgium to justify her restrictive measures according to the balance-of-payments criteria set forth in that Article, criteria which she admittedly cannot meet, Belgium has naturally resisted such a course of action. Instead she has argued that the measures were instituted under Article XV–9(*b*) of the GATT, which permits the use of restrictions on imports or exports where such restrictions are solely for the purpose of making effective exchange controls permitted under the Articles of Agreement of the IMF, in this case Article XIV. Since the relevant Fund provisions make no mention of balance-of-payments justification for the use of restrictions, Belgium

apparently believes that this course of action offers her a way to justify her action while avoiding the test of Article XII of the GATT.

D. *Position of the United States*

During the Sixth Session of the Contracting Parties, the U.S. delegation strongly opposed the Belgian contention that it was entitled to impose dollar import restrictions under Article XV of the GATT and Article XIV of the IMF Agreement. The position was taken that the provisions of the GATT, as a whole, were designed to require that such quantitative trade restrictions be subject to the tests and procedural requirements of Article XII. The delegation expressed the strong view that these tests and procedures should be complied with and that a working party should be established to determine, in consultation with the IMF, whether the Belgian measures meet the balance-of-payments criteria of the GATT. The U.K., Canada, and Cuba supported the view that Belgium should consult with the Contracting Parties under Article XII.

E. *Status of Belgian Restrictions under GATT*

The validity of the Belgian restrictions under GATT was not pressed to a decision at the Sixth Session. In a carefully worded statement winding up the debate on the matter at the Sixth Session, the Chairman of the Contracting Parties summarized the position of Belgium that its restrictions were consistent with the GATT and the Belgian Delegation at the Sixth Session had given some indication that the restrictions in question might be removed in the near future. The way was left open for the United States or any other contracting party feeling the restrictions to be inconsistent with the GATT to invoke the complaints procedures of the GATT against Belgium if it so wished.

There are two complaints procedures in the GATT which might conceivably be applicable to this case. One is Article XII–4(*d*) of GATT and the other Article XXIII.

Article XII–4(*d*) permits any contracting party which believes that another contracting party is applying balance-of-payments restrictions under Article XII inconsistently with the standards and requirements of that Article, to bring the matter before the Contracting Parties for discussion and settlement. If the matter is not settled to the satisfaction of the parties concerned and if the Contracting Parties determine that the restrictions are inconsistent with Article XII, the party applying the restrictions must either remove them or face the possibility of retaliatory action being authorized against her. Such retaliatory action would take the form of the withdrawal from the offending country of tariff concessions or other benefits of the Agreement.

At the Sixth Session the Belgian delegation recognized that the restrictions did not meet the test of Article XII and stated that they were not being applied under Article XII. Thus there would be no point in invoking Article XII–4(*d*) against Belgium. The fact that the Belgians admit that the restrictions are not being applied under Article XII does not necessarily mean that the restrictions are inconsistent with the GATT and must be withdrawn to avoid penalty, since the restrictions might conceivably be justified under other Articles of the GATT. This is precisely the position Belgium has taken. As explained above, Belgium claims that the restrictions are being applied under Article XV–9(*b*) of the GATT and that it is therefore acting completely in accord with its obligations under GATT.

A more general complaints procedure is available in Article XXIII of GATT, which affords a basis for examining the validity of any measures imposed under the GATT, whether under Article XII or XV or still some other provision. In fact, Article XXIII may be invoked not only where a specific obligation of the GATT may have been violated but even where there has been no such violation but action has been taken by one party which nullifies or impairs the benefits which another party expected to derive from the Agreement. Under this provision if a contracting party feels that a benefit under the Agreement is being nullified or impaired or attainment of an objective of the Agreement is being impeded as a result of violation of the Agreement by another contracting party or as a result of other action whether or not it violates the Agreement, the parties concerned may consult with a view to a satisfactory adjustment of the matter. If no such adjustment is effected, the matter may be referred to the Contracting Parties for settlement. The Contracting Parties may, if they consider circumstances serious enough, authorize the suspension of the application of tariff concessions or other GATT obligations to the contracting party applying the measure which gave rise to the complaint. Any contracting party from whom tariff concessions or other GATT benefits may have been so suspended is then free to withdraw from the Agreement if it wishes.

Article XXIII would clearly be usable in the Belgian case. If the United States desired to proceed against Belgium in the GATT, it could invoke this Article, arguing that the Belgian restrictions are inconsistent with the provisions of the GATT but that even if they are not, they nullify or impair benefits which the United States expected to get as a result of its adherence to the Agreement.

At their Sixth Session, the Contracting Parties to the GATT agreed to the establishment of an *ad hoc* Committee for Agenda and Intersessional Business. This committee, to be presided over by the Chairman of the Contracting Parties and to meet in Geneva on the call of the Executive Secretary, was set up to deal, among other things, with

urgent matters arising between the Sixth and Seventh Sessions. Such urgent intersessional business will be considered by the Committee upon the request of a contracting party (or parties). In response to a US request (or joint US-Canadian request) to take up the Belgian problem, the Committee could establish a working party which would examine all the relevant facts and views and submit a report thereon to the Seventh Session or, if the matter were of sufficient urgency, the Committee might request the convening of a Special Session.

F. *Status of Belgium Restrictions under the Fund Agreement*

Except in certain specific situations, the imposition of restrictions by a member of the International Monetary Fund with respect to current payments in the currency of another member is an action clearly contrary to the purposes of the Fund as enumerated in the Articles of Agreement. Article I states, *inter alia*, that the Fund is intended to assist in the establishment of a multilateral system of payments in respect of current transactions between members and in the elimination of foreign exchange restrictions which hamper the growth of world trade. Article VIII, Sec. 2 specifically enjoins members from imposing restrictions on current international payments and transfers—and particularly those of a discriminatory nature (Article VIII, Sec. 3)—without the consent of the Fund. Article XIV, however, allows a member to defer the assumption of the obligations of Article VIII and to avail itself of exceptional privileges with respect to the imposition of exchange restrictions during the current "Postwar transitional period."

In justification of the application of the discriminatory exchange restrictions against the dollar area described above, Belgium has cited Article XIV of the Agreement. Section 2 of this Article permits a member, without the specific approval of the Fund, to "maintain and adapt to changing circumstances (and, in the case of members who have been occupied by the enemy, introduce where necessary) restrictions on payments and transfers for current international transactions." The authority to maintain, adapt, or introduce restrictions on current payments is not unconditional, however, and Article XIV, Sec. 2 further states that: "Members shall, however, have continuous regard in their foreign exchange policies to the purposes of the Fund; and, as soon as conditions permit, they shall take all possible measures to develop such commercial and financial arrangements with other members as will facilitate international payments and the maintenance of exchange stability. In particular, members shall withdraw restrictions maintained or imposed under this Section as soon as they are satisfied that they will be able, in the absence of such restrictions, to settle their balance-of-payments in a manner which will not unduly encumber their access to the resources of the Fund."

Moreover, Article XIV, Sec. 4 states: "The Fund may, if it deems such action necessary in exceptional circumstances, make representations to any member that conditions are favorable for the withdrawal of any particular restriction, or for the general abandonment of restrictions, inconsistent with the provisions of any other articles of this Agreement. The member shall be given a suitable time to reply. . . ." This provision clearly establishes the mechanism through which the Fund could take action to obtain the withdrawal of Belgium's restrictions against the dollar. Belgium might defend its position by arguing that the Fund does not have a sound basis for making representations under Sec. 4 and that, as a country occupied by the enemy, it has certain power under Sec. 2 which render Sec. 4 inapplicable in any event. The issues that may arise in connection with the interpretation and applicability of the two sections are discussed below.

Since the Articles give no explicit power to the Fund to determine the need for introducing restrictions, Belgium might argue that a member occupied by the enemy has absolute power to determine the necessity for introducing restrictions under Sec. 2. The unqualified acceptance of this interpretation, however, would be tantamount to granting Fund members license to violate the purposes of the Fund and thus lead to the international financial irresponsibility that the Fund was designed to prevent. Such an interpretation therefore would conflict with the very existence of the Fund, could not have been intended and consequently must give way to a treatment of Article XIV that would allow Fund intervention where a member applies restrictions that appear to be unreasonable in the prevailing circumstances. The Belgian reasoning could also be attacked by pointing out that the Fund has already established its power to limit the freedom of action of members under Article XIV, Sec. 2. In its memorandum on multiple currency practices transmitted by the Managing Director to all members on December 19, 1947, the Fund specified that there must be agreement between the Fund and the member as to the necessity for a multiple currency practice before it may be introduced.

If unable to rebut this argument, Belgium could nevertheless hold that it is not satisfied that the withdrawal of its restrictions against the dollar would not have the result of unduly encumbering its access to the resources of the Fund. In view of the position taken by the Belgian representatives at the Sixth Session of the Contracting Parties, however, that they have no justification for their restrictions under Article XII, Sec. 2 of the GATT (i.e. that there is no imminent threat of a serious decline of Belgium's monetary reserves and the monetary reserves are not very low) it is difficult to see how Belgium could support this contention. Having taken such a clear position with respect to its reserves, Belgium could not argue that it expects

the withdrawal of its restrictions to result in its becoming a poor credit risk for the Fund, and the Fund could well assert, in view of the circumstances, that there is no substantial basis for any doubts that Belgium might nevertheless state it has as to its ability to obtain access to the resources of the Fund. The Fund could also assert that, once a specific case comes before it, its judgment as to whether a member's access to the Fund's resources would be unduly encumbered is controlling since, in the final analysis the Fund is the sole judge of whether its resources can be made available to a member.

In addition to the implicit and explicit limitations placed by Section 2 on a member's freedom to impose restrictions, Article XIV, Sec. 4, as indicated above, clearly establishes the Fund's right in exceptional circumstances to make representations to a member that conditions are favorable for the withdrawal of exchange restrictions. The Fund has already formally decided that it may make such representations at any time—not only five years after the date on which the Fund begins operation, i.e. March 1952—and that it has the power to determine when "exceptional circumstances" exist. In making such representations and considering the member's reply, the Fund is, however, obliged by Article XIV, Sec. 5 to "recognize that the post-war transitional period [is] [3] one of change and adjustment and . . . give the member the benefit of any reasonable doubt."

In discussing the applicability of Sec. 4 with the Fund, Belgium might challenge the existence of "exceptional circumstances" required before the Fund may make representations for the withdrawal of restrictions. In view of the Fund's apparent authority to determine whether "exceptional circumstances" exist, however, it probably would appear more fruitful to Belgium to contend that (i) conditions are not in fact favorable for the withdrawal of restrictions, and (ii) the economic reasons for the imposition of the restrictions are manifestly substantial and therefore, even if the Fund should question Belgium's position on the favorability of conditions, it would have to give Belgium the benefit of the doubt.

This line of argument could not be easily dismissed but it could be answered along the following lines: The Fund has always regarded balance-of-payments difficulties that exert pressure on a member's reserves as the principal justification for the imposition of exchange restrictions. Belgium has conceded that a case of this kind cannot be made. While the Fund is not prevented from taking cognizance of justifications of a different kind, it could well be argued (along the lines indicated earlier in this paper) that the reasons advanced by Belgium are not substantial. Moreover, Belgium's current reserves and

[3] Brackets in source text.

the amount of dollars currently available to Belgium from the EPU would warrant restraint in applying restrictions so clearly contrary to the basic purposes of the Fund.

In general it would probably be desirable to avoid as much as possible a "legalistic" treatment of the issues and instead emphasize the damage to the Fund's objectives of an admittedly retrogressive action taken by any Fund member whose present and prospective reserve position is so strong as Belgium's. An expression of concern by the Fund might give Belgium pause and result in the voluntary withdrawal of the new restrictions without formal Fund action. If Belgium were not persuaded to do this, consideration would have to be given to whether the Fund should censure Belgium or go so far as to declare Belgium ineligible to use the resources of the Fund (Article XV, Sec. 2).

It has been suggested that the Fund might, under Article XII, Sec. 6, decide in this case to transmit to Belgium and "publish a report . . . regarding [Belgium's] [4] monetary or economic conditions and development" on the ground that they "directly tend to produce a serious disequilibrium in the international balance of payments of members". This procedure would require a two-thirds majority of the total voting power. In view of the vote needed and the seriousness of the conclusion that would be required, this course of action does not appear to be desirable.

One question which is almost certain to arise in any discussion of the Belgian problem in the Fund is the distinction between exchange restrictions and trade restrictions. This question is of general importance in defining the respective areas of jurisdiction as between the Fund and the GATT. The question has a particular importance in this case inasmuch as Belgium is claiming that the restrictions on dollar imports to which the United States and other countries have taken exception in GATT are simply restrictions (presumably "trade" restrictions) to enforce exchange restrictions permitted under the Fund.

There are various ways in which trade restrictions might conceivably be distinguished from exchange restrictions, but the distinctions, at least those which have been suggested thus far, seem to break down under closer analysis and appear unrealistic, if not meaningless. The Fund, therefore, should not attempt to distinguish between trade and exchange restrictions when the Belgian case is under review; it should evaluate the complex of exchange and trade restrictions as a whole in determining the justification for them.

In taking this position, the United States representatives should be careful, however, not to say that trade and exchange restrictions are

[4] Brackets in source text.

the same and that there is no distinction between them. It should be argued only that it is profitless to attempt to make the distinction for the purposes of the Fund in examining the Belgian situation.

The reason for this caveat is to protect our position in the event the Belgian restrictions are taken up in the GATT and it is necessary to question the Belgian justification of the restrictions under Article XV–9(*b*) of the GATT. That Article permits import and export restrictions, "the sole effect of which, additional to the effects permitted under Articles XI, XII, XIII, and XIV, is to make effective" exchange controls or exchange restrictions permitted under the Fund Agreement. If the question came up in the GATT, the United States may wish to argue that it is not the *sole* effect of the import and export restrictions to make effective the exchange controls. This argument would not be logically tenable, however, if we should claim that there is no distinction between exchange and trade restrictions.

### Appendix A

The following additional measures relating to trade and payments between Belgium and the EPU countries have also been put into effect:

(1) All commodity exports to the EPU countries are subject to control by the central authorities.

(2) Authorized banks are no longer permitted to buy EPU currencies or debit foreign accounts in Belgian francs in the name of EPU residents without prior authorizations. Such authorization will be readily granted when there is evidence that (*a*) the goods have actually been shipped and (*b*) the goods did not originate in the dollar area. Five percent of the proceeds of exports to the EPU area are withheld from Belgian exporters for a period of six months and used to provide easy credit facilities for Belgian importers.

(3) Exporters to EPU countries who are no longer obliged to surrender foreign exchange proceeds to the Government are now authorized either to retain it, use it for payments to EPU countries, or sell it to other residents. These alternatives avoid the 5 percent retention scheme which applies to exchange sold at the official rate.

(4) A ceiling has been established on the Belgian franc holdings of each commercial bank in each EPU country. Transfers to these accounts from EPU central bank accounts with the National Bank of Belgium will be authorized to the extent necessary to replenish such holdings when they have been used for authorized payments.

(5) All payments by BLEC [?] residents to EPU countries must be made either in the currency of the country concerned or by crediting the Belgian franc account of a commercial bank (not a private

account). No new accounts of EPU residents may be opened without prior authorization.

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394.31/11-2351 : Telegram

*The Acting Secretary of State to the Embassy in Canada*[1]

CONFIDENTIAL WASHINGTON, November 23, 1951—7:30 p. m.

139. Re Belg import restrictions on dol goods:

1. Dept is recommending to NAC Staff on Mon that US approach Belg once more and request removal these restrictions and that, if approach unsuccessful, issue be put to IMF and GATT.[2]

2. Dept doc on subject notes fol pts.

(*a*) Dol restrictions are very slight help in reducing Belg intra-Eur surplus. Also will require Belgians pay higher prices for imports of commodities affected.

(*b*) Belgs are not faced now or in immed future with serious threat to dol reserves.

(*c*) Belg action violates commitments in GATT and principles IMF. Precedent created by Belg restrictions, which rest on justification other than a threat to monetary reserves, is extremely dangerous for any trade liberalization plans, whether global or regional in scope.

(*d*) Belg case creates substantial risks which threaten continuation existing liberal US import policies. These policies already under heavy pressure. Case of this kind, which is not defensible on balance-of-payment grounds, may well provide basis for further actions by Congress limiting opportunities for foreign countries to export to US, such as cheese restrictions. This is threat to defense efforts Western Eur countries and to cooperative efforts Atlantic Community.

3. We understand Belgs themselves are closely divided on question of wisdom retaining dollar restrictions and we are hopeful, therefore, that by raising issue as in para 1 above, we may achieve their removal.

4. Dept believes US action as indicated to secure removal Belg import restrictions cannot be long delayed without considerable risk. Risks are (*a*) creation vested interests in Belg for retention restrictions, (*b*) possibility adverse Congressional reactions when it reconvenes, (*c*) loss of support of countries which have heretofore been chief supporters US liberal trade policies, particularly Canada.

WEBB

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[1] Sent to Paris as Secrep 40 niact, Brussels as 752, Rome as 2404 niact.

[2] The lengthy Department of State recommendation (21 pages) was incorporated into Staff Study Doc. 547, November 20, 1951, *supra*.

ECA Message Files, FRC Accession 53A278, Paris Torep File: Telegram

*The Acting Administrator of the Economic Cooperation Administration (Bissell) to the Embassy in France*

CONFIDENTIAL WASHINGTON, December 7, 1951—12:33 p. m.

Reference—(*a*) Torep 8875, rptd Brussels Ecato 630, Rome Ecato 1373 [1]
(*b*) Secrep Paris 40, rptd Brussels Deptel 752, Rome 2404, Ottawa 139 [2]
(*c*) Toeca 555 Brussels, rptd Paris Torep 580, Rome 34, Ottawa 2 [3]
(*d*) Repto 5871, rptd Brussels Repto 425, Rome Repto 1034.[4]

Torep 9266. Pass Harriman. This cable has been cleared with State.

A. Request ur comments soonest on State Dept draft of US note (quoted below) to Belg Govt concerning recently imposed dol import restrictions.

B. On basis NAC Staff mtg Nov 26, all agencies here are agreed on essentiality making clear US opposition to restrictions not justified on B/P grounds. Reasons for this view are set forth at length in draft note and reftel (*b*).

C. We also anxious make representations to Belgs with minimum prejudice to negotiations over Belg military effort and Belg assistance to other Eur countries. While Belgs may claim direct relationship between two, we do not believe US can condone technique of assisting Eur countries which relies on "creating vacuum" within Belg by unnecessarily restricting dol imports. Only in possible future event of true dol B/P difficulties, emerging as result Belg military effort and assistance to other countries or other factors, wld we regard dol import restrictions as justified. Believe this view is in long-run as beneficial to Belgs as to US, on basis arguments set forth in draft note.

D. State cabling separately to Brussels requesting detailed info, as yet only partially available, on import restrictions.

E. Draft Note follows:

"(1) Reps of US have, on various occasions, expressed concern this Govt with respect import restrictions recently imposed by Belg Govt against goods from US and other hard currency countries. In view continued application these restrictions, US wishes once more present its views concerning maintenance these restrictions and urge again their prompt removal.

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[1] November 23, not printed.
[2] November 23, *supra*.
[3] November 26, not printed.
[4] November 27, from Paris, not printed. OSR had strongly recommended that "no action be taken Belgian dollar import restrictions until after completion of present TCC discussions and EPU negotiations in view of importance of subject to NATO effort." For documentation on the Temporary Council Committee (TCC) discussions, see vol. III, pp. 1 ff.

(2) US recognizes seriousness Belg intra-Eur surplus problem and importance achieving early and satisfactory solution to problem. However, U.S. believes dol import restrictions will not make any significant contribution toward solving problem and, if anything, are likely increase some of Belg's present economic difficulties. If there are any possible benefits be derived these measures, it appears to this Govt that they will be more than offset by their adverse effect on achievement of common long-run objectives of Belg and US.

(3) Belg Reps have stated Belg is not faced now, nor in immediate future, with serious threat to its dol and gold reserves. In the view of US, the Belg action in applying discriminatory import restrictions under these circumstances is inconsistent with Belg's obligations under GATT and a contravention of principles of Articles of Agreement of IMF. The abandonment of principle of permitting import restrictions only when justified on B/P grounds cld lead to reversal of successful efforts already made toward reducing barriers to trade. This case may well serve as precedent for application by other countries of import restrictions for reasons other than inadequate reserves, possibly to direct detriment of Belg herself.

(4) The Belg action cld also have implications for US commercial policy. The US Govt has sought, through lowering of tariffs and other measures, reduce its barriers to goods from abroad and enable foreign countries to earn dols they need. While there have been departures from this objective, by and large these efforts have been successful and Amer market has been kept open and enlarged for foreign goods. These successes have been achieved in face of extensive domestic criticism of the widespread application of restrictions against Amer goods. This criticism can be met when restrictions can be shown to be needed to protect a country's reserves. It cannot be met when restrictions not needed for this purpose and appear inconsistent with intl commitments. In such circumstances the continuation of liberal import policy by US becomes increasingly difficult, if not jeopardized.

(5) US believes these undesirable consequences can and shld be avoided by prompt removal discriminatory import restrictions. Accordingly, before proceeding further in accordance with relevant provisions of IMF and GATT, US wishes present again to Belg Govt considerations bearing on matter. In light these considerations, it hopes Belg Govt will reexamine its position and will agree that restrictions shld be removed.

(6) Early statement of Belg Govt's position wld be appreciated." [5]

Rpt info AmEmbassy Brussels Ecato 641.

BISSELL

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[5] In telegram Repto 6195, December 12, 8 p.m., to the Department, Harriman indicated that he "earnestly" hoped that no *démarche* would be made to the Belgian Government "at this moment," citing other matters regarding an increase in military expenditures that were being pressed on Brussels at that time (see footnote 4 above). ("I believe this is bad week for US Govt to take up any other subject.") Several days later, alarmed at reports that the Department was directing the delivery of the note (chiefly a matter of conflicting instructions and/or recommendations), Harriman in a personal cable to Secretary of State Acheson again indicated that he "earnestly" hoped that the Department would not instruct delivery of the proposed note "until I have a chance to talk with you." (Telegram Repsec 37, from Paris, December 18, 9 p.m., ECA Message Files)

394.31/1-252: Telegram

*The Secretary of State to the Embassy in Belgium* [1]

CONFIDENTIAL WASHINGTON, January 2, 1952—6:40 p. m.

957. Re Brussels Ecato 641 rptd Paris Torep 9266, Brussels Toeca 599.[2] This is a Joint State-MSA cable.

A. Have consulted with Harriman and Gordon on timing and content proposed Belg note on dol restrictions. All now agreed note shld be delivered immed.[3]

B. As result of suggestions developed with Gordon and comments urtel, note has been amended certain respects.

C. Accordingly, request you deliver note immed as fols:

"(1) Reps of US have, on various occasions, expressed concern this Govt with respect import restrictions recently imposed by Belg Govt against goods from US and other hard currency countries. In view continued application these restrictions, US wishes once more present its views concerning maintenance these restrictions and urge their prompt removal.

(2) US has carefully and sympathetically studied Belg justification for these restrictions. US recognizes seriousness Belg intra-Eur surplus problem and importance achieving early and satisfactory solution to problem. However, US believes dol import restrictions will not make any significant contribution toward solving problem and, if anything, are likely increase some of Belg's present economic difficulties.

(3) In the view of US, the Belg action in applying discriminatory import restrictions under these circumstances is inconsistent with Belg's obligations under GATT and a contravention of principles of Articles of Agreement of IMF. The abandonment of principle of permitting import restrictions only when justified on B/P grounds

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Harriman was planning to depart from Paris for Washington by plane on December 19, weather permitting.

The note was delayed. In the first instance, the Brussels Embassy cabled that it planned ("proposes") to defer delivery of the note, "in view OSR request per Repto 6195, December 12" (Brussels telegram 841, December 18, 1951, 6 p. m., 394.31/12-1851). On December 19 the Department of State cabled that the Embassy should "not deliver note . . . until further instructions." (Deptel 897, December 19, 12:02 p.m., to Brussels, 394.31/12-1951)

In the meantime, the Brussels Embassy sent a detailed opinion of the situation as seen by the Embassy-ECA team at Brussels, not printed (Brussels despatch 747, December 18, 1951, 455.002/12-1851). This did not reach the Department until January 2, 1952, when decisions had been taken.

Also, on December 19, the Embassy telegraphically informed the Department that the Canadian Embassy had delivered a note to the Belgian Government on December 19 (Brussels telegram 846, December 19, 6 p. m., 394.31/12-1951).

[1] Repeated for information to Paris as 378 and Ottawa as 166.

[2] Not printed.

[3] The Embassy delivered the note to the Belgian Foreign Ministry on January 4, 1952 (Brussels telegram 897, January 4, 1952, 7 p. m., 394.31/1-452).

cld lead to reversal of successful efforts already made toward reducing barriers to trade. This case may well serve as precedent for application by other countries of import restrictions for reasons other than B/P difficulties, possibly to direct detriment of Belg herself.

(4) The Belg action cld also have implications for US commercial policy. The US Govt has sought, through lowering of tariffs and other measures, reduce its barriers to goods from abroad and enable foreign countries to earn dols they need. While there have been departures from this objective, by and large these efforts have been successful and Amer market has been kept open and enlarged for foreign goods. These successes have been achieved in face of extensive domestic criticism of the widespread application of restrictions against Amer goods. This criticism can be met when restrictions can be shown to be needed on B/P grounds. It cannot be met when restrictions not needed for this purpose and appear inconsistent with intl commitments. In such circumstances the continuation of liberal import policy by US becomes increasingly difficult, if not jeopardized.

(5) US believes these undesirable consequences can and shld be avoided by prompt removal discriminatory import restrictions. Accordingly, before proceeding further in accordance with relevant provisions of IMF and GATT, US wishes present again to Belg Govt considerations bearing on matter. In light these considerations, it hopes Belg Govt will reexamine its position and will agree that restrictions shld be removed.

(6) Early statement of Belg Govt's position wld be appreciated."

ACHESON

## VII. UNITED STATES "ESCAPE CLAUSE" ACTIONS UNDER ARTICLE XIX OF THE GENERAL AGREEMENT (1950–1951) AND SECTION 7 OF THE TRADE AGREEMENTS EXTENSION ACT OF 1951 (1951–1952); THE PRESIDENT'S REPORT TO THE CONGRESS ON TRADE AGREEMENT ESCAPE CLAUSES, JANUARY 10, 1952

### *Editorial Note*

The first "escape clause" action by the United States under the General Agreement on Tariffs and Trade began in 1950.

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394.31/9–2750

*The Assistant to the President (Steelman) to the Secretary of State*

WASHINGTON, September 27, 1950.

DEAR MR. SECRETARY: Pursuant to an investigation under paragraph 13 of Executive Order 10082, the Tariff Commission has unanimously recommended to the President the withdrawal in whole under Article XIX of the General Agreement on Tariffs and Trade of the tariff concessions granted under the Agreement on women's fur felt hats and hat bodies valued at more than $9 and not more than $24

per dozen (as described in Item 1526(*a*) of Part 1 of Section XX of the General Agreement).[1] Enclosed is a copy of the Commission's report.[2]

The President must now determine whether the withdrawal of this concession would be in the public interest. He proposes to follow the recommendation of the Tariff Commission and to withdraw the concession effective December 1, 1950. Before acting, however, he wishes to have the views of the Department of State as to the effects of this withdrawal on our foreign economic relations, with particular regard to the countries with which this concession was originally negotiated.

I should appreciate hearing from you at your earliest convenience in order that the President may act promptly.

Sincerely, JOHN R. STEELMAN

[1] For information regarding the General Agreement on Tariffs and Trade (GATT), see footnote 3, p. 1245. At this time the governing statute in United States law regarding U.S. participation therein was the Trade Agreements Extension Act of September 26, 1949 (63 Stat. 697). E.O. 10082, October 5, 1949 (14 F.R. 6105), provided for the administration of the Act. Article XIX of the General Agreement made provision for emergency action on imports of particular products, in the event that the import of such products caused or threatened "serious injury to domestic producers in that territory of like or directly competitive products." Schedule XX was the United States section of tariff concessions annexed to the General Agreement, most of which at this time had been negotiated at the original tariff negotiating Conference at Geneva in 1947.

[2] Not printed.

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394.31/10-550

*The Acting Secretary of State to the Assistant to the President (Steelman)*[1]

CONFIDENTIAL WASHINGTON, October 6, 1950.

MY DEAR MR. STEELMAN: I have your letter of September 27 in which you state that the President has received a recommendation from the Tariff Commission that the tariff concessions under the General Agreement on Tariffs and Trade on women's fur felt hats and hat bodies valued at more than $9 and not more than $24 per dozen be withdrawn effective December 1, 1950. Your letter states that the President proposes to follow the recommendation of the Tariff Commission, but before acting wishes to have the views of the Department of State as to the effects of this withdrawal on our foreign economic relations with particular regard to the countries with which this concession was originally negotiated.

[1] This letter was drafted in the Office of International Trade Policy by the Director of the Office, Winthrop G. Brown, and the Deputy Director, Wilson T. M. Beale, Jr. It was cleared with the Office of British Commonwealth and Northern European Affairs and the Assistant Legal Adviser for Economic Affairs and forwarded for approval to the Acting Secretary of State through the Acting Assistant Secretary of State for Economic Affairs (O'Gara).

It is the view of the Department that the action recommended by the Tariff Commission would be authorized by the provisions of the General Agreement on Tariffs and Trade and would not have such serious adverse effects upon our relations with the countries most directly concerned as to raise difficulties in proceeding with the proposed action.

In taking this action, the United States will for the first time be exercising its rights under Article XIX of the General Agreement. In view of this fact the Department wishes to bring to your attention that, under that Agreement, we are obligated to give the Contracting Parties notice of our proposed action as long in advance as may be practicable and to afford them an opportunity for consultation. I note that the President proposes to make the withdrawal effective as of December 1, 1950. The Department, therefore, proposes to advise the Contracting Parties, most of which are now participating in the tariff negotiations at Torquay,[2] of this proposed action and to ask our Delegation there to undertake the consultation required under the Agreement.

The concessions affected by the proposed action were originally negotiated with the United Kingdom, and in recent years Czechoslovakia, Italy and France have been the most important suppliers of the product. Since these countries have a contractual right to the concessions under the General Agreement it may be anticipated that the withdrawal of the concessions will result in requests being made upon the United States by these countries for compensation in the form of substitute concessions from the United States or withdrawal on their part of concessions of approximately equivalent value made in the General Agreement.

It is assumed that the President would wish to give at least 30 days notice before the entry into force of the increased duties, in accordance with customary procedures, and the necessary proclamation to give effect to this withdrawal will therefore be prepared in this Department for the President's signature about November 1, 1950. Accordingly, I propose to instruct our Delegation at Torquay to enter immediately into consultation with the countries mentioned above.

Sincerely yours, JAMES E. WEBB

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[2] For documentation regarding the conference which began at Torquay, England, on September 28, 1950, for the purpose of conducting the Third Round of Tariff Negotiations under the General Agreement on Tariffs and Trade, see pp. 1245 ff.

394.31/10-650 : Telegram

*The Acting Secretary of State to the United States Delegation to the Torquay Conference* [1]

SECRET WASHINGTON, October 6, 1950—6 p. m.

40. USTAC. For Corse. Transmit following to Wyndham White: [2]

"1. Escape clause investigation by US Tar Com women's fur felt hats and hat bodies valued more than $9 and not more than $24 doz results finding serious injury within terms GATT Art XIX.

2. Tar Com recommended Pres concession this product be withdrawn effective Dec 1, 1950.

3. Pres considering fol recommendation and US proposing issue proclamation by Nov 1 making term effective Dec 1.

4. Early term necessary because believe further delay cause damage difficult repair.

5. US recognizes obligation consult.

6. Request communicate above as secret document to all CPs informing them readiness US enter consultation Torquay immed."

*For urinfo from Tar Com report.* Tar Com finds withdrawal in whole this concession without specified time limit as to duration necessary prevent continuance injury; such withdrawal afford greater relief if effective date such action prior Dec 1 than if at later date.

Imports women's fur felt hat bodies since concession supplied progressively larger share domestic consumption; domestic production materially smaller than prewar. Imports in 30's and immed postwar years less than 5 percent production; imports 7.2 percent production 1948, 21.4 percent 1949, and 30.5 percent six months 1950. Reduction domestic output due large part decline total domestic consumption but increased competition imported hat bodies also contributed substantially.

Little competition between imports and domestic production in either low-priced or high-priced fields. Re price range $9 to $24 direct and sharp competition particularly as to special finishes. This range comprises great bulk import trade. It is the marked increased imports this range which caused serious injury. Injury steadily increased since

[1] Willard L. Thorp, Assistant Secretary of State for Economic Affairs, was Chairman of the U.S. Delegation to the Torquay Conference. The Alternate Chairman of the Delegation was Winthrop G. Brown, Director of the Office of International Trade Policy. The Vice Chairman of the Delegation was Carl D. Corse, Chief, Commercial Policy Staff. Thorp was at Torquay only briefly for the opening sessions of the conference. Brown remained at the conference until early December, functioning also as the Chairman of the U.S. Delegation to the Fifth Session of the Contracting Parties to the General Agreement which met at Torquay, November 2–December 16, 1950. After Brown's departure Corse was Acting Chairman of the U.S. Delegation until the termination of the conference on April 21, 1951.

[2] Eric Wyndham White, Executive Secretary of the Interim Commission of the International Trade Organization which functioned as a secretariat for GATT.

concessions became effective and unless concessions withdrawn injury continue and perhaps become worse.

Peak period production and sales domestic hat bodies June, Jul, Aug and of fon hat bodies for US market somewhat earlier. However samples made up and price lines established much earlier—sometimes preceding Dec or Jan. Hence greater relief if effective date not later than Dec. 1.

Withdrawal will restore compound rates Tar Act 1930 on women's fur felt hat bodies in four value brackets between $9 and $24.

Great part of women's hat bodies made by firms who make very few men's hat bodies. Domestic fur felt hat industry highly concentrated in few cities in east. Difficult make specific determination but considerable part reduction total employment attributable increased imports. Total imports thousands of dozens were 6 in 1939, 16 in 1947, 45 in 1948, 121 in 1949, 62 in 1950 (Jan–June). Imports by country 1949 in thousands dozens: UK 1, Czecho 57, Fr 5, Italy 57. *End info Tar Com report.*

Concession negotiated with UK.

Pres requested Dept's views effects withdrawal on our fon economic relations countries concerned. Dept replied: (1) Proposed action is in accordance GATT, (2) Not have such serious adverse effects as to raise difficulties proceeding with proposed action, (3) Probably involve compensation by US, (4) US required consult CP's, will do so immed, but this not prevent issuance necessary proclamation to term concessions Dec 1. Del shld discuss withdrawal and compensation, if any desired, with interested govts and report dels recommendations compensation based on such discussions. Since Pres has definitely decided make withdrawal effective Dec 1, proclamation likely Nov 1, probably prior completion above consultations. Pls report fully their progress for receipt Wash Oct 30 with prompt prior report any special considerations.

Imperative no leaks occur. Del has discretion revise statement Wyndham White also to discuss informally with him before present. Background info, including Tar Com report, pouched.

WEBB

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394.31/10–950 : Telegram

*The Secretary of State to the United States Delegation to the Torquay Conference*

SECRET WASHINGTON, October 11, 1950—6 p. m.

57. USTAC. For Corse. Re procedures urtel 51, Oct 9, para 1(1).[1] US prefers avoid separate hearings, public notice, etc. Prefer discuss compensation within list items already published for Torquay negots if leeway exists. No legal difficulties contemplated here. Recognize

[1] Not printed.

compensation might of course require additional auth from Pres. This preferable to (*a*) withdrawal compensatory items by other country which wld reduce scope of GATT or (*b*) consideration items not listed Torquay which wld require new public notice, etc. In arguing for alternative (1) del might point out that published list already includes most of items in which CP's directly concerned have substantial interest.

Re para 1(2). Tar Com "Procedure and Criteria" (copy pouched) page 6 construes "unforeseen developments" as fol: "When imports any commodity enter in such increased quantities and under such conditions as cause or threaten serious injury, this must in light objective TA program and of escape clause itself be regarded as result unforeseen developments." Since tariff concessions made to increase imports, cannot be argued mere increase is unforeseen, but where there such large percentage increase which has been found actually result injury, this situation has not been foreseen, therefore properly interpreted as unforeseen development.

Re para 2. No objection informal discussions under pledge of secrecy.

Re para 4. We prepared issue press release concurrently with formal presentation matter CP's. Our only concern is whether CP's may construe public announcement as arbitrary action our part. Vitally important however there be no leak and no possibility that first news our action come from Torquay. Press announcement wld precede Presidential proclamation but no difficulty that respect. If you decide secrecy likely not be maintained advise us exact day and hour of presentation CP's and we will coordinate press releases to coincide. Tar will issue substantive release and State will issue supplementary statement noting first time clause applied and pointing out CP's being consulted.

Re compensation, make clear that although termination hat concession effective Dec 1 we prefer that compensation be made effective only when Torquay concessions enter into effect. (You, of course, realize that for US make compensatory concessions effective prior that date be very objectionable from viewpoint public relations.) If CP's object, point out that US has record of putting its concessions into effect (subject to rights withholding) promptly after conclusion negots, and that US wld contemplate giving effect compensation promptly after end Torquay negots. Also stress that compensatory action must be coordinated with other action Torquay and time lag not much greater under our preferred arrangement owing time needed for consultation.

Proclamation will be issued Nov 1 at latest even though consultation not completed. However Dept wishes fullest report prior that date.

ACHESON

394.31/10-1650: Telegram

*The Acting Chairman of the United States Delegation to the Torquay Conference (Corse) to the Secretary of State*

SECRET

TORQUAY, October 16, 1950—6 p. m.

78. USTAC. Deptel 57, October 11. Will send following letter to Wilgress[1] for release Thursday, October 19, 3 p. m. Torquay time:

"I am instructed by my government to inform the contracting parties that an investigation by the US Tariff Commission has resulted in the following findings:

"1. That as a result of unforeseen developments and of the effect of the tariff concessions granted thereon by the US in the agreement on tariffs and trade, hats, caps, bonnets, and hoods, for women's wear, trimmed or untrimmed, including bodies, hoods, plateaux, forms, or shapes, for women's hats or bonnets, composed wholly or in chief value of fur felt, and valued at more than $9 and not more than $24 per dozen, which products are described in Item 1526(A) of Part I of schedule XX (original) of the said general agreement, are being imported into the US in such relatively increased quantities and under such conditions as to cause serious injury to the domestic industry producing like or directly competitive products, and as to threaten continuance of such serious injury.

"2. That the withdrawal in whole of the tariff concessions granted in said general agreement on the foregoing products, without specified time limit as to its duration, is necessary to prevent continuance of such injury; and that such withdrawal would afford much greater relief to the domestic producers if the effective date of such action were prior to December 1, 1950, than if it were later.

"Among the circumstances which have led the Tariff Commission to make these findings are the following:

"1. Imports of women's fur felt hat bodies since the reduction in duties in 1948 have supplied a progressively larger share of the domestic consumption of such articles; the domestic production has been materially smaller than before the war. Whereas, imports throughout the 1930's and in the immediate postwar years were equivalent to less than 5 percent of production, they were equivalent to 7.2 percent of production in 1948 (the first year following the reduction in duty); 21.4 percent in 1949; and 30.5 percent in the first 6 months of 1950. The reduction in the domestic output of women's fur felt hat bodies since the prewar years has been due in large part to the decline in the total domestic consumption of such hats, resulting from the increasing practice of going without hats. Increased competition from imported hat bodies has, however, also contributed substantially to the decline in domestic output.

"2. Before the war nearly all of the domestic production of women's fur felt hat bodies, and the larger part of the imports in

[1] L. D. Wilgress, High Commissioner for Canada in London, Chairman of the Contracting Parties of GATT.

most years, consisted of hat bodies of plain felt. About the time the duties were reduced there was a style change greatly favoring hats with napped or pile finishes (such as velours and suedes). Increase in the supply of hat bodies having these special finishes began in the import trade and later extended, in much smaller proportion to domestic production. It is estimated that in 1949 and the first 6 months of 1950 more than 95 percent of the imports consisted of these special finishes, whereas hat bodies of that type represented 6 or 7 percent of the domestic production. Much the greater part of the consumption of hat bodies of these special finishes has been supplied by imports. Imports of hat bodies of these special finishes have to some extent affected domestic production of hat bodies of plain felt, particularly those in the higher-priced ranges. More especially, however, these imports have severely limited the establishment and expansion of domestic production of these special finishes. Domestic producers are not confronted with any technical obstacles in shifting their production from plain felt hat bodies to velours and other special finishes, the latter finishes, however, require much larger amounts of hand labor than the plain bodies.

"3. With respect to women's fur felt hat bodies corresponding to an import value of more than $9 and not more than $24 per dozen, there is direct and sharp competition between the imported and domestic products, particularly those with special finishes. This price range comprises the great bulk of the imports. It is the marked recent increase in imports within this middle range of values which has caused serious injury to the domestic industry. This injury has been steadily increasing since the concessions went into effect, and, unless the concessions are withdrawn, the injury will continue and perhaps become still more serious.

"4. Women's fur felt hats are mostly for fall and winter wear, and imports and domestic production of women's fur felt hat bodies are highly seasonal. The peak period of production and sales of the domestic hat bodies occurs in June, July, and August, and that of the foreign hat bodies for the US market somewhat earlier. Considerably in advance of the season, however, samples are made up and price lines are established. Usually as early as December or January preceding a season, price lines and samples are initiated by importers and early contracts are made. Under these circumstances, withdrawal of the concessions by December 1, 1950 is necessary to afford the most effective relief.

"In accordance with these findings and pursuant to the provisions of Article XIX the general agreement, the Government of the US finds it necessary to withdraw the concessions on the above-mentioned products. In view of the critical circumstances set forth above, which indicate that delay would cause further damage difficult to repair, it is necessary that a proclamation of the withdrawal be issued November 1, 1950, to be effective December 1, 1950.[2]

"This action is being taken in accordance with the provisions of the last sentence of paragraph 2 of Article XIX, and my government is

[2] In telegram 79 to Torquay October 17, 6 p. m., the Department suggested that the words "on or about" be inserted ahead of the date November 1, 1950, in order to take care of any contingencies that might arise in issuing the proclamation (394.31/10-1650).

prepared to afford the contracting parties and those contracting parties having a substantial interest as exporters [apparent garble] products concerned an opportunity to consult with it immediately in respect of the proposed action. There is attached a table showing the principal foreign suppliers of US imports of these products.

"It will be appreciated if you will inform the contracting parties immediately of this proposed action, and of my government's willingness to enter into the required consultation at Torquay as soon as possible. A public announcement of the proposed action is being made today in Washington."

Suggest Department and TC releases be issued simultaneously. Send USDel urgently copies of Department and TC releases.

Corse has discussed proposed action in confidence with Wilgress. Latter deeply disturbed. Thought action poorly timed from point of view of Torquay negotiations and Gordon Gray report.[3] Expressed opinion this was exactly type of product US should import and was unable to believe even if unemployment caused by imports, workers could not find employment elsewhere. Wilgress asked that Department be informed specifically his views and hoped careful consideration could be given them. Corse said would do this but not optimistic US could change its position in view of TC finding et cetera. Wilgress also urged US notification to CP's should be as complete as possible.

Also informed Holmes and Leckie UKDel today in confidence.[4] Did not provide statistics or detailed information, but they did not appear concerned on basis of general statement.

Corse

[3] For documentation on the Gordon Gray report, see *Foreign Relations*, 1950, vol. I, pp. 831 ff.

[4] Respectively, Sir Stephen Holmes, leader of the British negotiating team at Torquay (Harold Wilson, President of the Board of Trade, was head of the British Delegation), and J. Leckie, member of the British Delegation.

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394.31/10-1650 : Telegram

*The Secretary of State to the United States Delegation to the Torquay Conference*

CONFIDENTIAL Washington, October 18, 1950—6 p. m.

PRIORITY

82. USTAC. Ref urtel 78 Oct 16 Dept and TarComm will issue fol releases 10 a. m. Wash time Thurs Oct 19:

*State Dept Press Release:*[1]

"Pres proclamation will shortly be issued withdrawing as of Dec 1, 1950 certain US tariff concessions on women's fur felt hats and hat

[1] The text of the press release printed in the Department of State *Bulletin* (October 30, 1951, p. 710) omitted the last paragraph of the text printed here which includes the schedule of categories of women's fur felt hats and hat bodies which were affected by the withdrawal of concessions. The *Bulletin* text appeared under the caption "U.S. To Invoke 'Escape Clause' Under GATT," with the notation that it was released to the press on October 18 (rather than October 19 as indicated here).

bodies made in GATT concluded at Geneva 1947. Action will be taken under escape clause (Art XIX) of GATT and will be first case in which US has invoked clause.

Action applies to women's fur felt hats and hat bodies valued at more than $9 and not more than $24 per dozen. It will restore on these items tariff rates provided for in TA of 1930 ranging from 25 to 40 percent higher than rates provided for in GATT. Sched of categories affected showing present rates and those which will apply upon withdrawal of concessions given below.

In recent years imports of these products have come principally from Czech, Italy, France and UK.

Proclamation will be issued in accord with recommendations of TarComm made after investigation of trade in women's fur felt hats and hat bodies. This investigation conducted in response to application by domestic producers of these articles for invocation of escape clause which provides that any party to agreement may modify or withdraw a particular concession if it finds that as result of concession and unforeseen developments, imports of product in question occurring in such increased quantities and under such circumstances as to cause or threaten serious injury to a domestic industry.

Report of TarComm to Pres states among other things that since reduction of duties in 1948 imports of women's fur felt hat bodies have supplied progressively larger share of domestic consumption and that domestic production has been materially smaller than before war. Whereas imports thruout 1930's and immediate post-war years equivalent to less than 5% of domestic production, they were equivalent to 7.2% in 1948 (first year fol reduction in duty), 21.4% in 1949 and 30.5% in first six months of 1950.

Escape clause in GATT requires that any party invoking it shall notify other parties of its action and shall consult with other CP's interested in product. If CP's affected do not agree upon action as result of such consultation, they may suspend substantially equivalent concessions which they have granted to party invoking escape clause, unless such suspension is disapproved by CP's as group.

Required notice in this case has been given to other CP's and necessary consultations have begun in Torquay.

Altho US has negotd tariff concessions on several thousand items subj to escape clause, only 20 applications for its invocation have been recd by TarComm. Eleven of these have been dismissed. Decision on six pending. One postponed. Two investigations ordered. One investigation, re spring clothespins, resulted in recommendation that no action be taken.

Attached is copy of TarComm's findings; facts bearing on findings; and recommendations to Pres.[2] Limited nr copies report, together with additional data developed during investigation, are available from TarComm which is issuing today press release on this subj.

Fol is sched of categories of women's fur felt hats and hat bodies which will be affected by withdrawal of concessions; it shows existing

[2] Not printed.

concession rates of duty and rates which will become effective upon withdrawal of concessions:

| *Item* | Rate of duty in: | |
|---|---|---|
| | *(1950) GATT* | *TA of 1930* |
| Para 1526(*a*) TA of 1930 Hats, caps, bonnets, and hoods, for women's wear, trimmed or untrimmed, incl bodies, hoods, plateaux, forms, or shapes for hats or bonnets, composed wholly or in chief value of fur felt: | | |
| Valued per dozen at— | | |
| More than $9 and not more than $12 | 55% ad valorem | $5 per doz plus 25% ad val |
| More than $12 and not more than $15 | 47½% ad val | $6 per doz plus 25% ad val |
| More than $15 and not more than $18 | 47½% ad val | $7 per doz plus 25% ad val |
| More than $18 and not more than $24 | 40% ad val | $9 per doz plus 25% ad val" |

*Tariff Comm Press Release:* [3]

"Pres has informed TarComm that he will issue proclamation withdrawing eff Dec 1 trade-agreement concessions in US duties on women's fur felt hats and hat bodies valued at more than $9 but not more than $24 per doz. Effect of this action will be to restore on US imports of such hats and hat bodies rates of duty originally provided for by TA of 1930. Rates which will thus be restored are about 25 to 40% higher than trade-agreement rates which are now in effect.

Concessions on women's fur felt hats and hat bodies are to be withdrawn under escape clause (Art XIX) of GATT. This clause provides that a country may modify or withdraw trade-agreement concessions on any articles, if as result of unforeseen developments and concessions, imports of articles occur in such increased quantities and under such conditions as to cause or threaten serious injury to domestic industry producing like or directly competitive articles.

Proclamation now announced is in accord with recommendations of TarComm made after investigation of trade in fur felt hats and hat bodies. Comm's investigation was conducted under Exec Order 10082 which among other things directs Comm to make investigations in connection with invocation by US of escape clause of trade agreements.

Imports of women's fur felt hat bodies since reduction in duties in 1948 have supplied progressively larger share of domestic consumption of such articles; domestic production has been materially smaller than before war. Whereas imports throughout 1930's and in immediate postwar years were equivalent to less than 5% of production, they were equivalent to 7.2% of production in 1948 (first year fol reduction in duty); 21.4% in 1949; and 30.5% in first 6 months of 1950. Reduction in domestic output of women's fur felt hat bodies since prewar years has been due in large part to decline in total domestic consumption of such hats, resulting from increasing practice of going without

[3] The Tariff Commission Press Release was not printed in the Department of State *Bulletin*.

hats. Increased competition from imported hat bodies, has however, also contributed substantially to decline in domestic output.

Investigation covered all women's fur felt hats and hat bodies, but Comm found that conditions prevailing with respect to imports of hats and hat bodies valued at $9 or less or more than $24 per doz are not such as wld justify change in trade-agreement rates of duty applicable to imports of such hats and hat bodies. Hat bodies with foreign values ranging from $9 to $24 per doz have recently accounted for bulk of total imports of women's fur felt hats and hat bodies and imports in this value range have increased greatly since present trade-agreement rates became effective. Comm found that these increased imports were causing serious injury to domestic industry.

Before war nearly all domestic production of women's fur felt hat bodies, and larger part imports in most years, consisted of hat bodies of plain felt. About time duties were reduced there was style change greatly favoring hats with napped or pile finishes such as velours. Increase in supply of hat bodies having special finishes began in import trade and later extended, in much smaller proportion, to domestic production. It is estimated that in 1949 and first 6 months 1950 more than 95 percent of imports consisted of these special finishes, whereas hat bodies of that type represented 6 or 7 percent of domestic production. Much the greater part of consumption of hat bodies of these special finishes has been supplied by imports.

Imports of hat bodies of these special finishes have to some extent affected domestic production of hat bodies of plain felt, particularly those in higher-priced ranges. More especially, however, these imports have severely limited establishment and expansion domestic production these special finishes. Domestic producers are not confronted with any technical obstacles in shifting their production from plain felt hat bodies to velours and other special finishes; latter finishes, however, require much larger amounts of labor than plain bodies. Increased imports of hat bodies with special finishes largely prevented domestic manufacturers from shifting, in line with style change, to such finishes.

Limited number copies TarComm's report to Pres available for distribution and may be procured by addressing request to Secretary, US TarComm, 7th and E Streets, NW, Washington, 25, DC."

ACHESON

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394.31/11-2850

*Dr. Karel Svec of the Delegation of Czechoslovakia to the GATT Torquay Conferences to the Vice Chairman of the United States Delegation (Corse)*

No. 170/50 TORQUAY, November 28, 1950.

DEAR MR. CORSE: With reference to our first meeting of November 20th, 1950 concerning the U.S.A. application of Article XIX on women's felt hats, I have the honour to inform you that after having carefully studied the United States Tariff Commission's Report to the President and after having examined all additional circumstances I fully maintain the opinion expressed by the Leader of my Delegation

in the Plenary Session of the Contracting Parties, namely, that in this given case the conditions required for the application of Article XIX have not been fulfilled and even less so for its application as from December 1st, 1950.[1]

However, I am of the opinion that the aim of a consultation is not that the parties concerned should convene in order to insist rigidly on the views expressed but that they should try to reach an agreement or at least a solution acceptable to both parts [*parties?*]. I am therefore transmitting to you a Table showing the effect of the withdrawal of the Geneva concessions on the Czechoslovak export to the United States.[2] As I have only used data I had at my disposal here in Torquay they might be subject to minor corrections.

You will no doubt agree—after having examined this Table—that the increased customs duties are prohibitive and they would tend to paralyse the export from Czechoslovakia to the USA of an article which has been traditionally exported to the United States long before the Second World War. The importance of this for both parties seems to be underlined even more by the fact that according to the findings in your Report the yearly import of this article from Czechoslovakia—mainly in value brackets shown in the Table—amounted to almost 1 million US Dollars which is to say that it is one of the most important items in the trade between our two countries.

It further appears from the Table that the increased duties will affect mostly the export of hats in value brackets between US$9–18. We would therefore appreciate if at least the concessions granted for these value brackets could remain untouched.

With regard to the fact that the United States have decided to introduce these prohibitive duties as from December 1st. 1950 as well as having in mind that the Fifth Session of the Contracting Parties is to come to close within the next 2–3 weeks, by which date final solution

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[1] The events herein described took place within the framework of the Fifth Session of the Contracting Parties of GATT which convened at Torquay on November 2. The U.S. notice of withdrawal of concessions regarding fur felt hats and hat bodies was circulated in Doc. GATT/CP/83, at which time the United States on the basis of GATT procedures "invited" interested and/or affected parties to "consult" with the U.S. Delegation regarding the proposed U.S. action. In response, the Delegation of Czechoslovakia had circulated a statement complaining that the U.S. withdrawal of the concession on felt hats was not justifiable under Article XIX of GATT and that the United States had not supplied adequate data regarding domestic and import trade on this item. Accordingly, the U.S. Delegation agreed to the inclusion of the Czech complaint on the agenda of the Fifth Session. An initial meeting or "consultation" on this matter took place between members of the U.S. and Czech Delegations on November 20, 1950.

The files of the U.S. Delegation to the Fifth Session of the Contracting Parties of GATT are located in International Trade Files, Lot 57 D 284, Boxes 111 and 112. A guide to the documentation of the Fifth Session is in Doc. GATT/CP/INF/6, January 10, 1951, "List of Documents Issued from 3 August 1950 to 20 December 1950" (Lot 57 D 284, Box 111, "5th Sess & 3d TN's"). There is a master telegram file (amalgamated) of the two U.S. Delegations to the two GATT Torquay Conferences in Lot 57 D 284, Box 139.

[2] Attachment with cited table not printed.

should be reached, I should greatly appreciate your early reply as to whether the United States would agree to our proposition mentioned above, i.e. not to withdraw Geneva concessions with regard to felt hats in value brackets between $9–18 or whether the USA Delegation has its own proposition of a compromise solution.

Yours sincerely, KAREL SVEC

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394.31/11–2850

*The Vice Chairman of the United States Delegation to the Torquay (Tariff Negotiating) Conference (Corse) to Dr. Karel Svec of the Delegation of Czechoslovakia*

CONFIDENTIAL TORQUAY, December 1, 1950.

DEAR DR. SVEC: This is in response to your communication dated November 28, 1950 concerning the withdrawal from Schedule XX of the GATT of the concession on women's fur felt hats and hat bodies valued at more than $9 but not more than $24 per dozen to become effective December 1, 1950.

You state that the increased duties resulting from this action will affect mostly the export from Czechoslovakia of hats valued from $9–$18 per dozen, and inquire if it would be possible for the United States to maintain the concession in effect for these value brackets.

In as much as there has been no significant change in the circumstances giving rise to this action, I regret to inform you that it will not be possible to accede to your request. Nevertheless, should you desire to consult further regarding this matter, or to make any other specific proposals, I am entirely at your disposal.

Sincerely yours, CARL D. CORSE

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394.31/12–650

*Dr. Karel Svec of the Delegation of Czechoslovakia to the GATT Torquay Conferences to the Vice Chairman of the United States Delegation (Corse)*

CONFIDENTIAL URGENT TORQUAY, December 6, 1950.
No. 208/50

DEAR MR. CORSE: In reply to your letter of December 1st, 1950 I wish to inform you that I am prepared to consult further regarding the matter concerning Article XIX at any date you wish to suggest. I would, therefore, welcome if you would let me know, as soon as possible, when and where it would be convenient for you to meet us.

I believe, however, that if a consultation is undertaken with the view to come to a positive result, specific proposals should be put forward. In my letter of the 28th November, 1950 I made a specific pro-

posal and at the same time I made it clear that the Czechoslovak Delegation is prepared to accept any reasonable proposal which would serve as a basis for a compromise. I am sorry, however, to learn from your letter that while refusing our proposal the United States Delegation has so far made no effort whatsoever to facilitate the solution of the matter by making its own proposals.

I would, therefore, appreciate your early reply and your proposals which would enable us to reach a solution before the close of the present Session of the Contracting Parties.

Yours sincerely, KAREL SVEC

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394.31/11-2850

*Minutes of Meeting Between Members of the United States and Czech Delegations to the GATT Torquay Conferences, Torquay, England, December 11, 1950* [1]

CONFIDENTIAL

Subject: United States Withdrawal from Schedule XX of the GATT of the Concession on Ladies' Fur Felt Hat Bodies Valued from $9 to $24 Per Dozen.

| Participants: | *Czechoslovak Delegation* | *U.S. Delegation* |
|---|---|---|
| | Dr. K. Svec | Mr. Corse, CP |
| | Dr. Vazna | Mr. Dorfman, Tariff [2] |
| | Mr. A. Svejnoha | |

Representatives of the Czechoslovak Delegation, following their "consultation" with us on November 20, had sent us a letter on November 28 proposing that the United States not withdraw the Geneva concession on felt hats and hat bodies in the $9 to $18 value bracket or that, in lieu thereof, the United States Delegation propose some other suitable compromise solution. The United States Delegation responded, under date of December 1, to the effect that it was impossible to accede to the Czech request but that, if they wish to consult further or to make any other specific proposal, the United States Delegation was at their disposal. The Czechs replied on December 6 that they desired to consult further at the earliest possible date, with the result that an appointment was made for December 11.

At the opening of the meeting with the Czechs, Mr. Corse briefly reviewed the events leading up to this meeting, and concluded with the statement that compensatory concessions would not be possible. He suggested that the Czechs might consider making compensatory withdrawals of concessions, as provided under 3(*a*) of Article XIX.

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[1] This memorandum was drafted by Carl D. Corse on May 17, 1951.

[2] Ben D. Dorfman, Chief Economist and Chief of Economics Division, the U.S. Tariff Commission, member of the U.S. Delegation to the Torquay (Tariff Negotiating) Conference.

Dr. Svec observed that at the meeting of the Contracting Parties at which the United States action on hats was initially discussed, Mr. Brown[3] stated that there were "several possibilities" for adjusting the matter, but that now the United States Delegation referred only to compensatory withdrawals—which the Czechs considered unsatisfactory. Such withdrawals—he stated, would operate to raise trade barriers and to reduce the volume of world trade—just the opposite of what the GATT was attempting. Moreover, he pointed out, Czechoslovakia was free to make compensatory withdrawals without consulting the United States. Recourse to such action would really mean that the "consultations" had failed. Dr. Svec made several proposals to restore the Geneva rates to hats and hat bodies in various price brackets: $9 to $15; or $9 to $12; or $12 to $15.

Mr. Corse and Mr. Dorfman expressed the view that Mr. Brown did not suggest before the Contracting Parties that the United States would consider cancelling any part of the withdrawals of concessions on hats and bodies. The compensation for such withdrawals would therefore have to apply to other articles. Mr. Corse explained that the basis of the withdrawal of the concessions on hats and hat bodies was the finding of the Tariff Commission that the domestic manufacturers of such articles had been seriously injured. The United States, therefore, could not reinstate rates of duty which were found to cause serious injury.

Drs. Svec and Vazna stated that they did not feel that the Tariff Commission report met the requirements of GATT. Moreover, they did not feel that United States hat manufacturers had been injured by the imports from Czechoslovakia, since these consisted almost wholly of velours, few of which were made in the United States. Dr. Svec again repeated his proposals for "splitting the [United States][4] market" in such a way that the Czechs could have part of it, say in the $9 to $15 range.

Mr. Corse again repeated that he did not believe that the United States was prepared either (*a*) to modify its withdrawal of the concessions on hats and hat bodies, or (*b*) to offer any compensatory concessions for this withdrawal. He again recommended that the Czechs obtain compensation by making withdrawals in accordance with Article XIX 3(*a*).

The discussion with the Czechs revolved in the same circle for almost two hours. The Czechs were clearly not satisfied with the results of the "consultations" and will no doubt bring the matter before the Contracting Parties before they disband.

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[3] The reference is to the meeting of November 20, 1950. Winthrop G. Brown was Chairman of the U.S. Delegation to the Fifth Session of the Contracting Parties of GATT (as well as Alternate Chairman of the U.S. Delegation to the Third Round of Tariff Negotiations under GATT, also at Torquay).

[4] Brackets in the source text.

394.31/12-1550 : Telegram

*The Acting Chairman of the United States Delegation to the Torquay Conference (Corse) to the Secretary of State*

CONFIDENTIAL TORQUAY, December 15, 1950—5 p. m.

294. 1. CPs agreed December 15 establish WP following terms reference: "To examine the contention of the Czechoslovakian delegation that, in withdrawing item 1526 A of Part I from Schedule XX the United States has failed to fulfill the requirements of Article XIX, and to report to the contracting parties."

2. Members WP to be designated later.

3. General feeling of CPs that not sufficient opportunity to study facts to enable them appraise situation.

4. Czechoslovakia insisted immediate vote on charge that US violated GATT by Article XIX action. If vote had been taken we believe results probably would have been one vote support Czechoslovakia, few votes for US, and many abstentions. Even though we could thus have won vote, we felt such decision with only few votes for US and many abstentions would make poor record. Hence we thought avoid vote and refer matter WP. Also various informal conversations with other delegates indicated they felt uneasy, as matter procedure and for other reasons, about vote at this stage.

CORSE

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394.31/3-1351 : Telegram

*The Acting Chairman of the United States Delegation to the Torquay Conference (Corse) to the Secretary of State*

CONFIDENTIAL TORQUAY, March 13, 1951—6 p. m.

537. For Leddy [1] and Catudal.[2]

1. In discussions WP Article XIX re whether US action "withdrawal without specified time limit as to its duration" fulfills requirements last part paragraph 1 (*a*) Article XIX and re whether US would re-establish concession, Cassiers (Belgium) prompted by Royer (Secretariat), Burgess (UK), Lecuyer (France) argued (*a*) phrase "to extent and for such time as may be necessary to prevent or remedy such injury" conditioned the permission "to withdraw or modify the concession" (*b*) concessions could only be permanently withdrawn or modified pursuant Article XXVIII or unanimous protocol (comparable problem Article XXVII not discussed) and (*c*) unless US proceed under XXVIII or unanimous protocol Article XIX contemplates re-establishment concession.[3]

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[1] John M. Leddy, Deputy Director of the Office of International Trade Policy.

[2] Honoré M. Catudal, Adviser on Commercial Treaties, Commercial Policy Staff.

[3] For documentation regarding GATT procedures under Article XXVIII, see pp. 1245 ff.

2. Pending legal advice US indicated (*a*) such interpretation rendered words "to withdraw or modify the concession" meaningless, since all possible action would be covered by words "to suspend obligation in whole or in part" and (*b*) that in this case, in which agreement of France to the action involved US agreement to French Article XXVIII renegotiations, and agreement of Italy involved compensatory concessions, re-establishment of the hat body concession would cause complications. On latter point Lecuyer indicated possible negotiations would handle situation.

3. Unavailability of any Geneva or Havana Charter documents [4] makes decision re interpretation difficult.

4. Our appraisal here is on one side words "such time as may be necessary" clearly modifies all that follows. On other side, arguable from Mexican escape clause [5] that rights withdrawal and modification there and in GATT apply to concessions (only obligations covered in Mexican clause), whereas GATT reference obligations under general provisions gave rise new concept suspension such provisions as preferable to concept one CP unilaterally withdrawing or modifying them. Difficulty such argument is that (1) based only on US practice, not GATT or charter negotiation and (2) change in GATT of words "such time as may be necessary" to overriding position discussed above, compared position in Mexican clause where arguable they relate only to right to "modify" concession, leaving unqualified right withdrawal.

5. Please cable views soonest.

CORSE

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[4] The references are to the General Agreement on Tariffs and Trade concluded at Geneva, Switzerland, in October 1947 and the Charter for an International Trade Organization drafted at Havana, Cuba, in March 1948; for documentation on the latter subject, see *Foreign Relations*, 1948, vol. I, Part 2, pp. 802 ff.

[5] For documentation on the termination of the United States-Mexican trade agreement, see vol. II, pp. 1470 ff.

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394.31/3-1351 : Telegram

*The Secretary of State to the United States Delegation to the Torquay Conference*

CONFIDENTIAL PRIORITY WASHINGTON, March 15, 1951—2 p. m.

461. From Leddy and Catudal.

1. We in Dept feel phrase in Art XIX (ur 537, Mar 13) "to the extent and for such time" clearly applies to withdrawal or modification concessions and are aware of no Geneva or Havana doc suggesting

contrary interpretation. Moreover, original US Proposals (Nov 1945) described escape clause in terms of "temporary action". Withdrawal hat body concessions without specified time limit does not mean that withdrawal necessarily permanent but that it was not possible to predict specific time when threat of serious injury wld cease.

2. US position shld recognize that literal terms Art XIX in principle contemplate eventual restoration concessions if serious injury to domestic industry no longer threatened. However, if hat body concessions restored, compensation being given supplying countries for withdrawal wld likewise have to be restored or its equivalent. We recognize right of CPs which are not given compensation to suspend substantially equivalent concessions to US within terms Art XIX. It wld be intolerable situation if compensation regarded as permanent whereas withdrawal by US only temporary.

3. Accordingly, there appear to be 3 possible alternative methods for handling problem:

(A) Recognizing in principle US hat body concessions must eventually be restored if serious injury domestic industry no longer threatened, it wld likewise be necessary either (1) to restore particular concessions paid by US as compensation for withdrawal and to restore concessions withdrawn under Art XXVIII negots or (2) to agree to negotiate for equivalent concessions to US at time of restoration hat body concessions. Consider (A) (1) above objectionable from public relations standpoint because it wld require earmarking specific concessions involved in compensation process. This objection wld be avoided by (A) (2).

(B) CPs by res might decide that since compensation for withdrawal was permanent, withdrawal cld also be permanent since whole tenor Art XIX and GATT contemplates reciprocity. If found whole absolutely necessary, this cld be done by waiver procedure Art XXV para 5(*a*).

(C) US cld suggest that while initial withdrawal on temporary emergency basis Art XIX, withdrawal hat body concessions might now be made permanent through technical use Art XXVIII. In this event all elements involved, including compensation, wld be made permanent. In this connection, it cld be pointed out that since withdrawal concession had actually preceded Torquay negots, this technical resort to Art XXVIII with respect this one item in these special circumstances cld not be reasonably regarded as backtracking from our initial and general position that we wld not propose Art XXVIII withdrawals.

4. USDel may wish lay these alternatives before interested CPs. USDel shld use own discretion re which alternative to press for.

5. Above is Dept position only, without consultation other agencies. [Leddy and Catudel.]

ACHESON

394.31/3-2051 : Telegram

*The Acting Chairman of the United States Delegation to the Torquay Conference (Corse) to the Secretary of State*

CONFIDENTIAL TORQUAY, March 20, 1951—10 p. m.
PRIORITY

583. Drafting group Working Party Art XIX nearing completion report for consideration full WP Mar 21 p. m.

Report wld list documentation, making reference to TC Tariff Commission procedure and criteria with statement some members question some of interpretations therein, without further comment (Brit worried about statements (1) any serious injury constitutes unforeseen development and (2) loss relative position domestic producers, without actual decline production, evidence of injury). Report lists four criteria under Art XIX, para 1(*a*), sets forth interpretation that extent and duration withdrawal dependent on necessity preventing injury (Deptel 461 Mar 15), and outlines procedures.

Report summarizes position under these various points, where possible giving unified view WP and indicating divergencies therefrom, which in most cases are either by US or Czech rep. Principal divergence US from neutral members is over meaning unforeseen developments; latter claiming in report Art XIX envisages objective standard that unforeseen developments would be those which reasonable negotiator wld not have foreseen. US will state view that negotiators at Geneva did not foresee, and that this sufficient. Czech view that from background hat body trade and evidence increasing popularity velour styles in 1947, developments should have been foreseen.

On injury, US and neutral members agree on facts concerning decline production 1949 and first half 1950 compared 1948, price difficulties with domestic velours from TC report, and evidence decline employment, both general (TC report) and Danbury, Norfolk (statistics cabled), coupled with special vulnerability felt hat workers to employment decline, resulting from skill, age, geographic concentration.

Neutral members conclude various factors combine to constitute unforeseen developments, and statistics tend show threat injury justifying Art XIX action, though uncertainties (as effect hatlessness) raise questions. Czechs emphasize that at no time since 1947 has production been below 1947 level, and rapid increase US production of velours (TC report), and general vagueness US evidence. Undoubtedly they influenced by production second half 1950, although apparently admitting not relevant question injury.

Conclusions neutral members will express view good faith on part US authorities and inability Czechs to prove not within Art XIX although recognizing individual countries and international organiza-

tion. May interpret provisions Art XIX differently in whole or part, and indicating desirability strict construction such a provision. Apparently, elimination this implied censure US action impossible without inclusion in conclusions more specific statements re points of disagreement (particularly on meaning unforeseen developments and irrelevance relative increase imports to injury). Will indicate desirability country invoking XIX specifically article including US in this case, keeping constant watch of situation with view possibility at least partial restoration of concession if changed situation re injury or threat thereof so permits.[1]

CORSE

[1] The Intersessional Working Party produced a detailed 18-page "Report", not printed, on March 27, 1951, to be considered by the Contracting Parties at their Sixth Session scheduled to convene at Geneva, Switzerland, on September 17, 1951.

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GATT Files, Lot 66 D 209, Box 454

*Position Paper for the United States Delegation to the Sixth Session of the Contracting Parties to GATT* [1]

RESTRICTED [WASHINGTON,] September 7, 1951.
TAC D-221/51 [2]

CONSIDERATION OF THE REPORT OF THE INTERSESSIONAL WORKING PARTY ON ARTICLE XIX ACTION WITH RESPECT TO HAT BODIES

PROBLEM

What should be the position of the United States with regard to consideration at the Sixth Session of the Report of the Intersessional Working Party [3] on the United States action in withdrawing the concession on women's hats and hat bodies under Article XIX?

RECOMMENDATIONS

1. The delegation should attempt to delay consideration of this report until after consideration of its request for a release from our obligations toward Czechoslovakia.

2. However, the delegation should advise other delegations informally before the matter comes up, that the United States will not oppose consideration of the report by the contracting parties. If pos-

[1] The Sixth Session of the Contracting Parties to GATT convened at Geneva, Switzerland on September 17, 1951. For the composition of the U.S. Delegation, see Department of State *Bulletin*, October 1, 1951, p. 553. Willard L. Thorp, Assistant Secretary of State for Economic Affairs was Delegation Chairman, and John M. Leddy, Acting Director, Office of Economic Defense and Trade Policy, was Vice Chairman. Files of the U.S. Delegation are located in GATT Files, Lot 63 D 134, Box 268, and Lot 66 D 209, Box 454 (FRC Accession Nos. 65A987 and 71A6682, respectively).

[2] This was a document of the Interdepartmental Committee on Trade Agreements (TAC).

[3] See footnote 1, *supra*.

sible, the delegation should seek to have some other contracting party having an interest in the complaint, perhaps the U.K., France or Italy, propose that, notwithstanding the release from obligations of the United States toward Czechoslovakia, the report of the working party should be considered as a matter of general concern.

3. The delegation should work for approval of the report by the contracting parties with no substantial change, attempting to limit the discussion to the report rather than to other complaints which the contracting parties might have with respect to the escape clause problem in general. The delegation should, if requested by other contracting parties, present the most recent information available with respect to the production and imports of women's hats and hat bodies, indicating that the question is being kept under review.

DISCUSSION

*Procedure.* The delegation should attempt to delay consideration of the report of the Working Party until after consideration of our request for a release from our obligations toward Czechoslovakia. Assuming that this release is granted, it would undoubtedly put us in an easier position toward the Czechs while discussing the report, especially with a view to any claims as to what we might do in the future with respect to the matter.

Termination of obligations between the United States and Czechoslovakia might technically enable us to have consideration of the report taken off the agenda, since it relates to an action under Article XXIII brought by Czechoslovakia against the United States. We will probably want to ask for the exclusion from the agenda of other items which might be in the nature of Czechoslovak claims against us by using this argument. However, in view of the work which has been put into this report, of its generally satisfactory nature, and of the interest of other contracting parties in both the general and particular problems which it discusses, the delegation should not try to prevent consideration of the report. In order that its consideration might not conflict with our position with regard to other Czechoslovak attacks on us, it would seem desirable that the delegation of some other contracting party having an interest in this matter, perhaps the British, or the French or Italian, be approached informally with a view to their proposing that, notwithstanding the release from obligations of the United States towards Czechoslovakia, the report should be considered as a matter of general concern.

*Consideration of Report.* Since the report is generally satisfactory to the United States, to the extent of being much less critical than had been anticipated before the meetings of the Working Party, it would seem desirable that it should be approved by the contracting parties without any change in substance. In fact, because of the care with

which many provisions were worded, the delegation should consider very carefully any proposed changes in language.

In order to obtain this result it would be desirable that the discussion be kept as closely as possible to the report. In this connection, it would probably be desirable for the delegation not to attempt to introduce new evidence or new arguments except, possibly, if considered appropriate to answer points beyond the scope of the report raised by other contracting parties. In particular, the delegation should attempt to prevent, as inappropriate under the circumstances, any addition to the report regarding, and if possible any discussion of, the Tariff Commission pamphlet or criteria and procedures for applying the escape clause, or of the escape clause provisions of the Trade Agreements Extension Act of 1951. It was difficult to keep out of the report provisions expressly critical of the Tariff Commission pamphlet.

The principal point in the report of disagreement by the United States and the so-called neutral members of the Working Party was on the meaning of the term "unforeseen developments". The United States took the position that the provision refers to developments which actually had not been foreseen, in effect that the claim by the United States that they had not been foreseen by the negotiators would be sufficient. In this connection the delegation had in mind, but did not develop as a justification in this case, the argument that any serious injury must result from unforeseen developments since the concession would not have been granted had such injury been foreseen. The neutral members of the Working Party considered that unforeseen developments mean developments which the negotiators could not reasonably have been expected to foresee. In view of the deletion of the reference to unforeseen developments in the escape clause language in sections 6 and 7 of the Trade Agreements Extension Act of 1950 [*1951*], and of Mr. Ryder's [3] statement during the Senate hearings that the phrase had little meaning, this point of difference is likely to arise during consideration of the report. The delegation should, to the extent practicable, attempt to prevent a discussion of this point, or to limit as much as possible any discussion which takes place.

*Future Developments.* The Working Party's report in a number of places indicates the desirability that the United States should keep the situation with regard to women's fur felt hats and hat bodies under constant review, with a view to possible restoration of the concession in whole or in part. The United States delegation recognized that such action would be required by GATT if it could be done without causing a continuation or renewal of the injury.

It is understood that the available statistics of imports and production of women's hats and hat bodies will be furnished to the delegation before the matter comes up. Should the figures indicate that the situa-

[3] Oscar B. Ryder, Chairman of the U.S. Tariff Commission.

tion has greatly improved, it will be difficult for the delegation to answer queries as to what is being done under this obligation unless it can state specific steps that are being or will be taken, such as a holding of hearings by the Tariff Commission or the Committee for Reciprocity Information.

In considering whether steps can be taken to restore the concession without injurious effect, it should be borne in mind that by the time any such action is being taken undoubtedly Czechoslovakia will be denied all trade agreement benefits. Consequently, the concession, if restored, would be applicable only to imports from suppliers other than Czechoslovakia. This would seem to be a relevant consideration in determining the time during which the concession may remain completely withdrawn, and is likely to be raised by other contracting parties when the report is under discussion.

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394.31/12–1951

*The Assistant Secretary of State for Economic Affairs (Thorp) to the Chairman of the United States Tariff Commission (Ryder)*

WASHINGTON, December 19, 1951.

MY DEAR MR. RYDER: I should like to report to you the action of the Contracting Parties at their Sixth Session held in Geneva with regard to the Report of the Working Party on the United States' escape clause action on fur felt hats and hat bodies. After clearance with you, the United States Delegation at the Session advised the Working Party of the action of the President in requesting the Tariff Commission to keep the matter under continuous review and to report any developments which in the Commission's judgment would permit a relaxation in the restrictions.[1] This action had the effect of assuring the Contracting Parties, and particularly Italy, of our willingness to keep the position under review and to reconsider the matter if it should be found that the suspension of the concession is no longer necessary to prevent or remedy a serious injury.

The Working Party Report was adopted by the Contracting Parties at its nineteenth meeting (GATT/CP.6/SR.19) on Monday October 21, with the opposition of the Delegate of Czechoslovakia. It was agreed at the same meeting that the Report should be published. A copy of the Report as adopted is attached.[2]

Sincerely yours, WILLARD L. THORP

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[1] This action had been recommended to President Truman by the Acting Secretary of State in a memorandum dated September 10, 1951, not printed (394.31/9–1051). The President had approved the recommendation on September 12 (394.31/9–1051).

[2] Not printed; see the first footnote 1, p. 1542.

394.31/11-2651

*Memorandum by the Assistant Secretary of State for Economic Affairs (Thorp) to the Acting Secretary of State*

CONFIDENTIAL [WASHINGTON,] November 21, 1951.

Subject: Tariff Commission Recommendation regarding "Escape Clause" action on "Hatters' Fur".

*Discussion:*

The United States Tariff Commission, in accordance with Section 7 of the Trade Agreements Extension Act of 1951, has completed an "escape clause" investigation on "hatters' fur". It has found that, as a result in part of the duty of 15 percent ad valorem reflecting the concession granted in the General Agreement on Tariffs and Trade on hatters' fur, it is being imported into the United States in such increased quantities as to cause serious injury to the domestic industry. The Commission has, therefore, recommended to the President that the duty on hatters' fur be revised in a form which will result in increasing the rate to between 20 percent and 30 percent ad valorem on the chief grades imported in recent months.

Through the Bureau of the Budget a copy of the Tariff Commission's Report, which is classified confidential, has been forwarded to the Department of State, together with a copy of the proposed Proclamation to be signed by the President giving effect to the recommendations of the Commission. The Department's comments on the report and the draft Proclamation are requested.

The attached proposed reply states that: (1) The United States is required to consult with the Contracting Parties and will do so immediately; (2) It constitutes an interim report to be followed by a formal reply as soon as our consultations are terminated; (3) In the meantime a study of the proposed proclamation will be undertaken with a view to avoiding delay in the event that it is decided to accept the recommendations of the Tariff Commission; and (4) If, as a result of our consultations with other Governments and discussions with interested agencies of our Government it should be decided to recommend that the President should not accept the recommendations of the Tariff Commission or should take action in a modified form a draft of a report which must then be submitted by the President to the Congress, giving his reasons for not following the recommendations, will be submitted.

*Recommendation:*

That the attached Memorandum [1] for the President be signed.

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[1] Not printed. The memorandum sent to President Truman was dated November 26. In this memorandum, the President was informed further that the Contracting Parties with whom the United States was initiating consultations included particularly "the Benelux countries (Belgium, Luxembourg and The Netherlands), with which the concession was originally negotiated." (394.31/11-2651)

*Concurrences:*

EDT, L/E and WE concur in the recommendation.

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394.31/11-2751 : Telegram

*The Acting Secretary of State to the Embassy in Belgium* [1]

CONFIDENTIAL WASHINGTON, November 27, 1951—2:15 p. m.

778. A. Please communicate substance fol in writing to govt to which you accredited soonest:

1. US Tariff Commission on Nov 9 1951 reported to Pres fol findings and recommendations as result its investigation under Section 7 of TA Extension Act of 1951:

(1) As result in part of duty of 15% ad valorem reflecting concession in item 1520 of Sched XX of GATT, hatters' furs, or furs not on the skin, prepared for hatters' use, including fur skins carroted, are being imported into US in such increased quantities as to cause serious injury to the domestic industry producing like or directly competitive products, and as to threaten continuance of such serious injury.

(2) Application of duty on these articles of 47½ cents per lb., but not less than 15 percent or more than 35 percent ad valorem, is necessary prevent continuance such serious injury to domestic industry.

2. Rate 15% ad valorem initially negotiated Benelux Geneva 1947.[2]

3. Under aforementioned section 7 President may make the modifications recommended by Tariff Commission. If he does not take such action within 60 days after Nov 9 he shall immed submit report to Ways and Means Comite of House and Finance Comite of Senate stating why he has not made such modifications.

4. USGovt prepared consult re this matter accordance first sentence para 2 Art XIX GATT. In view aforementioned 60-day period request that any such consultation be carried out earliest possible date.

5. Foregoing info strictly confidential and if any public disclosure USGovt might find necessary take immediate steps give effect Tariff Com recommendation.

B. FYI (1) Since 1948 Belg has been major supplier with Fr, Italy and Arg as secondary supplies;

(2) Additional info re basis Tariff Commission findings follows air mail.

C. Tele date your note and reaction if any.

WEBB

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[1] Sent for action also to the Embassies in the Netherlands (703), France (3194), and Italy (2447) and the Legation in Luxembourg (62).

[2] This is a reference to the 7-month conference at Geneva, April–October 1947 which resulted in the formulation of the General Agreement on Tariffs and Trade; for documentation on U.S. general policy at this conference, see *Foreign Relations*, 1947, vol. I, pp. 909 ff.

394.31/11-2951 : Telegram

*The Ambassador in Italy (Dunn) to the Secretary of State*

CONFIDENTIAL ROME, November 29, 1951—6 p. m.

2407. Ref: Deptel Brussels 778; rptd Rome 2447; November 27, 1951. Ital FonOff notified November 28, with no reaction as yet.

DUNN

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394.31/11-2951 : Telegram

*The Chargé in the Netherlands (Trimble) to the Secretary of State*

CONFIDENTIAL THE HAGUE, November 29, 1951—6 p. m.

547. Contents Deptel 703 Nov 27 sent Brussels 778 transmitted Neth Govt by note today. Initial reaction of Dutch was one of disappointment US finds necessary consider withdrawal any GATT concession since they view such withdrawal as weakening GATT structure and facilitating ability other nations also withdraw concessions in a time econ recession. They indicated formal reply wld be made after consultation with Belg.

Sent Dept 547, rptd info Brussels 40.

TRIMBLE

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394.31/11-3051 : Telegram

*The Ambassador in France (Bruce) to the Secretary of State*

CONFIDENTIAL PARIS, November 30, 1951—5 p. m.

3240. Deptel 3194, Nov 27 communicated to FonOff by note today. Only immediate reaction was comment that French wld probably request consultation.

BRUCE

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394.31/11-3051 : Telegram

*The Chargé in Belgium (Millard) to the Secretary of State*

CONFIDENTIAL BRUSSELS, November 30, 1951—7 p. m.

755. Re Deptel 778, Nov 27. Note based on reftel delivered today to Le Ghait, FonOff official responsible for GATT matters. Urgency of consultation emphasized. Le Ghait regretted necessity of withdrawal on general principles.

Sent Dept 755, rptd info The Hague 44.

MILLARD

394.31/12-351 : Telegram

*The Chargé in Belgium (Millard) to the Secretary of State*

CONFIDENTIAL BRUSSELS, December 3, 1951—7 p. m.

770. Re Deptel 778, Nov 27 and Embtel 755, Nov 30, rptd The Hague 44. FonOff note recd today requesting immediate consultation on withdrawal of US concession on item 1520. Please instruct.

MILLARD

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394.31/12-451

*The Acting Secretary of State to the Embassy in Belgium*[1]

CONFIDENTIAL WASHINGTON, December 4, 1951.

No. 52

The Acting Secretary of State refers to the Department's telegram No. 778 of November 27, 1951 requesting the Officer in Charge to give notice in writing to the Government of Belgium of the findings and recommendation of the Tariff Commission with regard to the concession on hatters' fur, and encloses two copies of the Tariff Commission's Report to the President in this case.[2] The Officer in Charge is requested to transmit one copy of this Report to the appropriate official of the Belgian Government, specifically indicating its confidential nature.

The Department is aware that this is not a propitious time to discuss the proposed withdrawal of this concession, and has considered at some length the various matters which are already under discussion with the Belgian Government and which would have made it advisable to have postponed the discussions of the concession on hatters' fur if it had been possible.[3] However, under the Trade Agreements Extension Act of 1951, the President must, within 60 days from November 9, the date of the Tariff Commission's Report, either make the modifications recommended by the Commission or submit a report to the Ways and Means Committee of the House of Representatives and the Finance Committee of the Senate, stating why such action has not been taken. Consequently, it was imperative that the matter be brought to the attention of the interested foreign governments at once so that consultations with them, if requested, might be completed as soon as possible in view of the aforementioned 60-day period.

As stated in the reference telegram, the Embassy should stress in the strongest terms the need for observing the highly confidential nature of this notification and the Report. Should the Belgian Government feel it absolutely essential to secure information from its industry for

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[1] Similar instructions were formulated also for Luxembourg (No. 12, December 5). The Hague (No. 55, December 5), Paris (No. 139, December 6), and Rome (No. 166, December 6), none printed (file 394.31).

[2] Not printed, but see telegram 82, October 18, p. 1530.

[3] See documentation regarding Belgian import restrictions, pp. 1478 ff.

a study of the effect of the withdrawal, care should be taken to give no indication as to the purpose for which data are being requested. As the Embassy will understand, if information regarding the recommendations of the Tariff Commission should become known to the trade prematurely it would be highly embarrassing, and it might result in the President's having to take steps to put the recommendations into effect without waiting for the completion of any consultations which may be requested by interested governments.

It has not been decided what recommendation the Department should make to the President in this case, but it would be necessary to have extremely important or persuasive reasons to justify any recommendation for a modification of the proposed action. The Department will appreciate full and prompt reporting of any comments made by the Belgian Government regarding the proposed action.

As background information and guidance in carrying out any consultation which may be requested, it should be noted that Article XIX of the General Agreement on Tariffs and Trade contemplates the reaching of agreement with other contracting parties having a substantial interest in the concession on hatters' fur as a result of any consultations which may be requested. In any such consultations, recognition must be given to any claim that the reciprocal balance of concessions as originally negotiated will have been impaired by a modification of the concession on hatters' fur. Consequently, this Government must be prepared, if requested, to consider the possibility of compensatory adjustment of the reciprocal schedules of concessions involved.

Such compensatory adjustment might conceivably embody (1) the granting of additional substantially equivalent concessions by this Government, or (2) the withdrawal of equivalent compensatory concessions on the part of the other contracting parties having a substantial interest in the concession on hatters' fur.

The former raises important procedural and legal questions under the Trade Agreements Act which have not yet been explored and resolved. Nevertheless, should the Belgian Government propose that this Government make such compensatory concessions, you should not reject them, but report them fully to the Department for examination and study.

As additional background information in this connection, it is recalled that at Torquay the United States did in effect grant compensatory concessions to France and Italy to offset the withdrawal from Schedule XX under Article XIX, of the concession on certain women's hats and hat bodies. This extension of compensatory concessions was made possible by, and was carried out in connection with, the negotiations for new reciprocal tariff concessions with these countries which were held at Torquay; that is, in considering the reciprocal balance of new concessions made at Torquay between the United

States and France and Italy, respectively, weight was given to the benefits lost by France and Italy as a result of the withdrawal from Schedule XX of the concessions on women's hats and hat bodies.

As to (2), the retaliatory withdrawal by affected other contracting parties of equivalent concessions, this Government would, of course, greatly regret the taking of any such action by another contracting party because of the additional "unraveling" of the concessions provided for under the Agreement which this would entail.

Moreover, any such retaliatory withdrawal might well involve consultation also with other contracting parties claiming an interest in the concessions which a contracting party, e.g. Belgium, might propose for such retaliatory withdrawal. The completion of any such chain of consultations obviously could not be completed within the time remaining before the President must take action in the matter.

One problem which arises with respect to both of the above approaches arises out of the fact that concessions withdrawn under escape clause action are to be kept under review and should be restored if conditions change so that such restoration may be made without causing serious injury. If the concession is restored at some future date, any concessions which may have been withdrawn from the United States because of the original escape clause action should also be restored. Similarly, it may be necessary to make some provision for adjustment of the balance in the event the United States should now give a new concession in compensation for the withdrawn concession and the latter is then restored at some later date.

As stated, it is recognized that our action is likely to meet strong objections from the Belgian Government, and the Embassy should, in discussing it, express a willingness to hear in full any comments made by the Belgians, and to report them in detail to the Department.

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394.31/12–1451

*The Second Secretary of Embassy in the Netherlands (Donovan) to the Secretary of State*

CONFIDENTIAL THE HAGUE, December 14, 1951.

No. 1091

Ref: Dept. Instruction No. 55, December 5, 1951 [1]

Subject: Dutch Reaction to Tariff Commission Report on Concession on Hatters' Fur.

Mr. H. van Blankenstein, a Director of the Ministry of Economic Affairs in charge of Dutch tariff negotiations, has told the reporting officer that the whole set of provisions of the Trade Agreements Extension Act under which the United States could withdraw concessions was regarded by his Government as greatly weakening the faith which

[1] Not printed; see footnote 1, p. 1549.

foreign governments could put in the word of the United States Government. A foreign government which traded tariff concessions with the United States could never be sure that the United States would keep its side of the bargain, though the United States itself was always most energetic in insisting that other countries live up to their sides of bargains with the United States.

Mr. van Blankenstein made these observations during discussions concerning the United States Tariff Commission's report on the concession on hatters' furs. He said that the Netherlands Government particularly did not understand why it was so imperative that the consultations on the withdrawals must be completed within a 60-day period. He pointed out that the General Agreement on Tariffs and Trade did not require that such consultations be completed within any such short period of time. This 60-day period was especially inadequate in the present case, he said, because by the time the Netherlands Government received the Tariff Commission's report, more than thirty days of the 60-day period had already elapsed.

The Tariff Commission report was dated November 9, 1951. The telegram from the Department asking the Embassy to notify the Netherlands authorities was dated November 27. The Embassy note for this instruction was delivered on November 28. The Department's instruction forwarding the full report was dated December 5 and only reached The Hague in time to be delivered to the Dutch on December 11. This left only 28 days for the Netherlands Government (1) to make its own study of the statistics on the trade in the particular item, (2 )to consult with the other Benelux Governments regarding possible counter-proposals of the three governments, (3) to make statistical studies of the effect of possible retaliatory withdrawals of concessions granted the United States, and (4) to discuss all of these questions with United States representatives. In the present instance, the American procedure was even more objectionable, as the short period left for consultation fell directly in the middle of the holiday season.

THOMAS A. DONOVAN

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394.31/12-1751 : Telegram

*The Secretary of State to the Embassy in Italy*

CONFIDENTIAL WASHINGTON, December 17, 1951—5 : 56 p. m.
PRIORITY

2806. Pls confirm receipt Depins 166 Dec 6 [1] re consultations hatters' fur, and report any info available progress consultations. Though

[1] See footnote 1, p. 1549. The Department's airmail instructions to Brussels, Paris, and Rome on this matter seem to have been delayed in transit. On December 17 the Department sent similar cables of inquiry to the other posts concerned, none printed. The despatch from The Hague printed *supra* indicates that the Department's December 5 instruction to that Embassy was received by December 11.

Pres has until Jan 8 act on Tariff Comm recommendations procedures involved issuance Pres proclamation necessitate Dept reporting to Pres not later than Dec 28. Therefore wld like Emb comments by end this week if possible.

ACHESON

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394.31/12-1751 : Telegram

*The Chargé in Belgium (Millard) to the Secretary of State*

CONFIDENTIAL PRIORITY BRUSSELS, December 17, 1951—7 p. m.

832. Re Deptins Nr. 52, Dec 4. First mtg for detailed consultation on item 1520 withdrawal held today with Le Ghait, Cassiers, Arents, Gerard Jr.[1] Their comments as fols:

1. Extraordinary discrepancy between 1951 statistics for eight months on page 28 of Tariff Comm report and seven month summary of published Census Bureau figures.[2] Imports from Belg $439,000 in former and dols $77,000 in latter. Explanation urgently required to support conclusions on rising trend of imports.

2. Le Ghait considers withdrawal unfortunate precedent for GATT, particularly in view of relation between volume of imports and volume of domestic production and close connection of commodity involved with felt hat bodies which were subj of previous art 19 withdrawal.

3. Cassiers says indispensable element in art 19 action is unforeseen circumstance and neither sharp increase in imports or revolutionary change in public habits of dress cld qualify as unforeseen development. Cassiers argues increased proportion of imports does not in itself substantiate either injury to industry or unforeseen development. Dept's urgent advice on this condition of primary importance to convince Belgs circumstances qualify for action under art 19.

4. Cassiers says regrettable precedent but not contrary to GATT for proposed ceiling to be higher than existing duty at time of first GATT concession. He considers it essential however for withdrawal to be conditioned on duration of danger to industry. If withdrawal is made without providing for periodic review and reinstatement of concession as soon as possible, US will be in position of having permanently established the higher duty and requiring reciprocal negots to reduce it. This reasoning leads to conclusion US action shld be temporary conditional suspension of concession rather than withdrawal.

5. Cassiers wld appreciate having latest available monthly domestic production figures to show condition in industry since last June.

6. Question of compensation only brought up on most general terms. Belgs did not make any specific proposal and appreciate objectionable features of compensation as mentioned in ref instr.

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[1] Respectively, Edouard Le Ghait, Belgian Foreign Ministry official with the rank of Minister Plenipotentiary; Georges Cassiers, Belgian Foreign Ministry official; Mr. Arents, formerly Secretary of Administration, Belgian Delegation to the Torquay Conference; O. M. Gerard, Jr., Attaché, Belgian Foreign Ministry (the senior Gerard was Deputy Director General of Foreign Trade, Belgian Foreign Ministry).

[2] This information constituted enclosures to the Department's instruction under reference, not printed.

In view numerous holidays approaching, Emb wld appreciate most urgent reply giving info requested above and instrs indicated by Belg reaction.

MILLARD

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394.31/12-1751 : Telegram

*The Secretary of State to the Embassy in Belgium*

CONFIDENTIAL WASHINGTON, December 19, 1951—6:20 p. m.
PRIORITY

899. Embtel 832, Dec 17. Fol comments your numbered paras:

1. Explanation discrepancy is in Note to table page 28 Tariff Comm rpt referring to "errors" prelim official statistics e.g. Census Bureau figures. Tariff Comm investigated carefully and was reliably informed imports shown as from Neth actually from Belg so adjustments made accordingly. Census Bureau figures are prelim and Bureau is verifying this point. Final figures will undoubtedly result in reduction discrepancy in figures imports from Belg. Every effort being made secure figures accurately reflecting situation though from US point of view, given fact concession extended all sources supply at time study made, problem arises from increase total vol imports, not source.

2. For info Emb Dept fully aware unfortunate aspects case and suggests Emb assure Belgs connection with hat body case has not escaped our attn. Might call attn to fact that relation vol total imports to total domestic production all grades is not significant index in judging serious injury but relation imports which are chiefly low-grade fur to domestic production similar grades. On this basis increase of up to 20 percent in recent years is important and, in judgment Tariff Comm has resulted serious injury. Emb shld indicate proposed tariff increase applies to low-grade furs and not to all grades.

3. FYI there are two disputed interpretations term "unforeseen developments" in Art XIX GATT. Under one interpretation, for a country operating on basis it will make no concession resulting serious injury, any such injury resulting from reduction constitutes "unforeseen development". US adheres this interpretation, pointing to fact that admin has committed itself to Cong and others not make any concession resulting serious injury. Tariff Comm pamphlet on criteria for application escape clause affirms this interpretation.

Under second interpretation mere reduction duty in itself cannot be considered "unforeseen development" even if it shld subsequently result serious injury. Only developments which negotiators might not reasonably have foreseen at time of negots can be taken into account as constituting an "unforeseen development".

Under our interpretation "unforeseen developments" which shld be formally maintained as US position there is thus no difficulty con-

sidering circumstances in this case as falling within concept "unforeseen developments". Emb might point out informally that even if one shld operate under second interpretation, fol cld be pointed to as unforeseen developments:

(*a*) Increased habit of going without hats, which is emphasized on page 18 of Tariff Comm report, as principal cause of decreased consumption. In this connection see acceptance by working party in hat body case of style change as factor in unforeseen developments in para 11 of their report.

(*b*) Drastic decrease in cost rabbit skins used as raw material due to decreased use for rabbitskin garments discussed page 25 Tariff Comm report. For most hatters' fur cost of raw material represents considerable proportion of total cost fur. Therefore the drastic changes in raw material costs taken in conjunction fact these costs relatively same for domestic and imported fur substantially reduced the incidence of protection afforded by the ad valorem duty to domestic processing industry. This cld be assumed to have resulted in increased imports as well as to have increased need for protection US producers.

4. Emb will note page 10 Tariff Comm report that Comm specifically commits itself to constant review case and recommendation action in light any change in conditions. For info Emb Dept considered suggestion definite time limit on modification concession but rejected suggestion for two reasons (1) impossible say for what period danger of injury to domestic industry may continue, and (2) fixing definite time period wld tend to freeze suspension concession for that entire period and thus increase difficulty in obtaining review and reinstatement concession before end period shld circumstances permit. Dept will consider announcement of action emphasizing fact that withdrawal is in effect "temp" and hopes assurance Cassiers desires is contained last para "Recommendations" of Tariff Comm.

5. No statistics monthly domestic production available but Tariff Comm investigators were assured in Oct domestic production still at standstill or limited to small production for inventory. Sales remain insignificant.

ACHESON

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394.31/12–2151 : Telegram

*The Chargé in Belgium (Millard) to the Secretary of State*

CONFIDENTIAL BRUSSELS, December 21, 1951—5 p. m.

854. Re Deptel 897 [*899?*], Dec. 19. Belg Govt preparing note recording its reaction to Art 19 action on Hatters furs. Preliminary draft of note shown to Emb rep. Highlights summarized below:

1. Belg Govt does not agree acts brought out in TC report justify Art 19 action.

2. Belg Govt has hoped strictest interpretation wld be applied to Art 19 to keep reversal of GATT concessions to minimum.

3. Belg Govt regrets conditions justifying modification under US TA extension act not same as under Art 19.

4. US Govt urged to reconsider decision and not invoke Art 19 in this case.

5. If US Govt finds it necessary to modify concession under Art 19 notwithstanding Belg representations, Belg Govt urges modification be made in manner strictly limiting applicability to duration of distress in industry and that concession be reinstated as soon as condition of industry permits.

6. Belg Govt reserves rights under Art 19 to seek compensation.

Emb comments on foregoing points:

1. Neither TC report data nor Emb arguments have persuaded Belg Govt that increased imports have significant share in causes for unfortunate condition of US industry. (Belg statistics reports to US for year 1950—123 tons $360,000 and for 10 months 1951—28 tons $100,000.) Belg assessment appears to be dominated by relative importance US production compared with imports and possibility industry wld be in poor condition irrespective of imports.

2. Belg officials attach great importance to strict interpretation Art 19 to discourage its use.

3. No comments.

4. So far as GATT arguments for deferring action or recommending no action on TC recommendation are concerned. Emb believes Belg reaction might be considered representative of CP reaction because based entirely on GATT principles.

5. Definite commitment of US to reinstate concession as soon as possible wld greatly influence Belg attitude toward action and reduce risk of them later asking compensation. Cassiers suggests quar[terly] renewable terms to assure periodic reconsideration, particularly in view his expectation that that body concession withdrawal will shortly benefit US Hatters fur industry. Emb wld appreciate prompt info whether eventual reinstatement wld be automatic or wld require hearings, etc.

6. Le Ghait indicates in general terms if compensation eventually sought it will probably be in form of withdrawal of Belg concession (of comparable value and affecting as few third parties as possible) for period limited to duration of US withdrawal.

MILLARD

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394.31/12–2251 : Telegram

*The Ambassador in Italy (Dunn) to the Secretary of State*

CONFIDENTIAL ROME, December 22, 1951—5 p. m.

2788. Reurtel 2806, December 17. Discussions FonOff today indicate various concerned agencies of Ital Govt have not yet furnished tech advice necessary consultations proposed withdrawal concessions hatter's fur.[1] However, Comm FonOff took occasion again to strongly

[1] In telegram 2715, December 18, 6 p. m. (394.31/12–1851), and telegram 2767, December 21, 5 p. m. (394.31/12–2151), neither printed, the Ambassador had informed the Department of continuing efforts by the Embassy to get the Italian Foreign Ministry to indicate whether it wished consultations on the U.S. withdrawal of the hatters fur concession.

criticize recent US commercial policy "inconsistencies" such as almond quota, restrictions cheese, present case, etc, stating impossible reconcile US position on rearmament program W Eur, Schuman Plan and other programs with apparent contradictory commercial practices which injurious commercial relations between two countries.

DUNN

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394.31/12-2751 : Telegram

*The Chargé in Belgium (Millard) to the Secretary of State*

CONFIDENTIAL BRUSSELS, December 27, 1951—7 p. m.

874. Re Embtel 854, Dec 21. Belg note recd requesting reconsideration of decision to modify US duty on hatters furs. Full text being despatched; synopsis follows:

1. Restatement of US proposal.

2. Belg Govt does not find that conditions precedent to use Art 19 have been realized because:

*a.* Principal cause of distress of US industry is evolutionary tendency (as stated page 4 TC report) which was clearly perceptible in 1947.

*b.* Per TC figures increase in imports greatly inferior to reductions US consumption and US production. Separate impact of increased imports cannot be considered serious injury because only 6 percent of total consumption.

*c.* Per page 19 TC report, part of increase imports 1950 and early 1951 reflects accumulated stocks.

*d.* TC figures do not provide convincing evidence imports wld continue to rise (or even maintain high level) unless concession modified.

(1) Part of increase due to temporary stocking as reaction to Korean war.

(2) According to commerce figures available to TC, March, May and July, 1951 imports inferior to same months 1950.

(3) Belg statistics show decline in exports to US starting March, 1951 and indicate 1951 total will be less than ¼ 1950 total (Belg monthly figures enclosed).[1]

In conclusion, Belg Govt considers US import figures through Aug 1951 do not indicate serious and persistent menace and believes import experience Sept, Oct, and Nov 1951 will confirm its opinion and shld be taken into account in deciding on TC recommendations.

(4) High duty on hat bodies established Dec 1950 will favor US fur industry by increasing its market; adoption TC recommendation wld provide additional protection before giving former advantage time to show its effects.

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[1] Not printed.

3. Belg Govt, therefore does not consider US industry is in exceptional circumstances contemplated by Art 19. Sec 7 TA Ext Act does not require TCC to prove all of exceptional conditions contemplated in Art 19. Therefore, TC report does not fully establish justification for Art 19 action.

4. If US Govt shld decide to carry out TC recommendation, notwithstanding foregoing considerations, Belg Govt wld appreciate knowing what disposition US will take to keep modification within limits prescribed by Art 19 "extent and time necessary to prevent or overcome the injury".

5. Belg Govt reserves rights per 3 *a* Art 19 in case US carries out TC recommendations.

MILLARD

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394.31/12-2151 : Telegram

*The Secretary of State to the Embassy in Belgium*

CONFIDENTIAL WASHINGTON, December 28, 1951—6:47 p. m.

PRIORITY

937. 1. Re last sentence penultimate para urtel 854 Dec 21. If Pres accepts Tariff Comm recommendation modified concession will apply "for an indefinite period". Under Tariff Act gen requirement Tariff Comm investigate and report upon request by Pres. No specific procedures established for Tariff Comm review "escape clause" actions with view possible reinstatement. However FYI problem presently under active consideration but not possible state this time what procedures may be established i.e. hearings, etc.

2. For Confidential info Emb Dept has continued discuss with interested govt Depts possibility setting time limit (para 4 Deptel 897 [*899*])[1] modification of concession but it has been tentatively agreed suggest Pres issue proclamation fol recommendations of Tariff Comm and Exec Order instr Tariff Comm make annual review and report to Pres on all "escape clause" changes. As procedure issuance Exec Order wld occasion some delay consideration being given press release on Pres proclamation which wld mention forthcoming Exec Order. Thus giving interested countries immediate notice our intention assure periodic reconsideration modifications of concessions made under escape clause. Dept hopeful this will provide assurance requested by Belg in para 4 urtel 874 Dec 27 and will advise Emb promptly if Pres accepts foregoing suggestions.

ACHESON

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[1] Dated December 19, p. 1554.

394.31/12–2951 : Telegram

*The Ambassador in Italy (Dunn) to the Secretary of State*

CONFIDENTIAL ROME, December 29, 1951—10 p. m.

2849. FonOff just notified Emb Italy requests consultation on withdrawal concession on hatters fur but did not submit supporting technical data. Emb urged consultation be held in Wash but Itals prefer they be conducted in Rome. FonOff expects to hold meeting by Jan 3. Itals readily agree economic interest not large but evidently decided desire make somewhat an issue of what they feel is latest in US series of "commercial policy inconsistencies". We stated no objection to listening Ital position here and transmit report, although Emb stressed preferability of holding consultation in Wash.

DUNN

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International Trade Files, Lot 57 D 284, Box 161, "Escape Clause"

*The President to the Chairman of the United States Tariff Commission (Ryder)*

[WASHINGTON,] January 5, 1952.

MY DEAR MR. RYDER: The recommendation of the Tariff Commission in the report of November 9, 1951, resulting from the investigation with respect to hatters' fur under section 7 of the Trade Agreements Extension Act of 1951 is hereby approved. Accordingly I am issuing a proclamation giving effect to the recommended modification in the import duty.

I note with gratification that the Tariff Commission plans to keep this case under constant review in the light of possible changed conditions in the future. I believe that it would be worthwhile to adopt a periodic system of review and report with respect to all modifications of Trade Agreement concessions under the escape clause provision of the Trade Agreements Extension Act. While we must be alert to safeguard American industry from actual or threatened serious injury, we must be equally alert to insure that trade agreement concessions are not modified for a period longer than is necessary to prevent or remedy the injury. The retention of the modifications beyond the period when they are necessary to prevent or remedy such injury could have various adverse effects upon our economy. It could harm American exporters who are reliant upon foreign markets, by encouraging other countries to apply retaliatory withdrawals of concessions. It could injure American consumers by unnecessarily adding to the cost of the goods they buy. In addition, it could impede American foreign policy objectives by denying other friendly nations the opportunity of earning the dollars which they need for their economic recovery and

their military efforts in the defense of the free world, by curtailing markets in which those countries earn the dollars to finance such efforts.

In view of these important considerations I have requested that an Executive Order be prepared for my consideration which would establish a regular procedure for periodic review of escape clause modifications of trade agreement concessions. Such an order would call for full investigation and report to the President by the Tariff Commission on each such case at periodic intervals, indicating whether or not, in the light of the circumstances then existing, the modified concession should in the Commission's view be continued in its existing form.

Very sincerely yours, HARRY S. TRUMAN

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394.31/1–652 : Telegram

*The Secretary of State to the Embassy in Belgium* [1]

PRIORITY WASHINGTON, January 6, 1952—2:52 p. m.

987. Re previous communications this subj Pres signed Proclamation Jan 5, effective about 30 days thereafter, adopting Tariff Comm recommendations for modification GATT concession hatters' fur. Proclamation being released here afternoon Jan 7. White House releasing simultaneously Pres ltr to Chairman Tariff Comm approving recommendations and noting Tariff Comms undertaking to keep case under constant review. Ltr indicates exec order being prepared for Pres consideration calling for periodic investigation and report by Tariff Comm on each escape clause action to insure such actions effective for no longer than necessary prevent or remedy serious injury. Thus systematic review hatters' fur case and earlier hat bodies case wld be assured.

Inform appropriate auths foregoing and indicate US Govts willingness continue consultations hatters' fur under GATT Art XIX.

ACHESON

[1] Sent also to The Hague (874), Luxembourg (77), Paris (3881), and Rome (3070).

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*Department of State Press Release No. 13, January 7, 1952* [1]

UNITED STATES TO INVOKE ESCAPE CLAUSE ON HATTERS' FUR DUTY

The President has signed a proclamation modifying a United States tariff concession on certain grades of hatters' fur, effective after the close of business February 8, 1952. The concession was originally made in the General Agreement on Tariffs and Trade, concluded at

[1] Source text from International Trade Files, Lot 57 D 284, Box 161, "Escape Clause." Text also in Department of State *Bulletin*, January 21, 1952, p. 96.

Geneva in 1947. The action modifying the concession is based on an investigation and report to the President by the United States Tariff Commission and is being taken under section 7 of the Trade Agreements Extension Act of 1951 and in accordance with the provisions of Article XIX (the "escape clause") of the General Agreement.

The Presidential proclamation puts into effect higher rates of duty on certain hatters' fur in accordance with the recommendations of the Tariff Commission following the Commission's investigation. This investigation was conducted in response to an application to the Tariff Commission by representatives of the domestic industry.

The Tariff Commission's report and the President's action applies to "hatters' fur, or furs not on the skin, prepared for hatters' use, including fur skins carroted", described in item 1520 of the United States schedule (schedule XX) of the General Agreement. The present rate of duty is 15 percent. The new rate of duty will be 47½ cents per pound, but not less than 15 percent or more than 35 percent ad valorem. Under this new duty the maximum rate of 35 percent will apply to hatters' fur valued at $1.36 or less; the minimum rate of 15 percent will apply to fur valued at $3.16⅔ or more per pound; and the rate of 47½ cents per pound will apply to imports valued between those two prices. Thus there will be no change in the duty on hatters' fur valued at $3.17 or more per pound. Imports of hatters' fur in recent years have come principally from Belgium, France and Italy.

The escape clause (Article XIX) of the General Agreement requires that any contracting party invoking it shall notify the other parties of its action and shall consult with regard to that action if consultation is desired. If agreement is not reached in such consultations and the action is nevertheless taken, other contracting parties having a substantial interest in exportation of the product may take compensatory action. They may suspend substantially equivalent concessions which they have granted to the contracting party invoking the escape clause, unless such suspension is disapproved by the contracting parties to the General Agreement acting as a group. The required notice in this case has been given to the other contracting parties and consultations have been begun with the countries principally concerned.

In its report to the President the Tariff Commission stated that it "will keep developments with respect to hatters' fur under constant review for the purpose of making whatever recommendation may hereafter be warranted by changed conditions". The White House has released a letter from the President to the Chairman of the Tariff Commission in which the President expresses the opinion that it would be worthwhile to adopt a regular procedure for periodic review and report with respect to every instance of modification of a trade agreement concession pursuant to an escape clause. The President's letter indicates that while it is essential to safeguard American industry

from serious injury, it is also necessary to insure that trade agreement concessions are not modified for a period longer than required to prevent or remedy the injury. The letter states that retention of the modifications for a longer period could have various adverse effects. It could harm American exporters by encouraging other countries to apply retaliatory withdrawals of concessions. It could injure American consumers by unnecessarily adding to the cost of goods they buy. It could also impede American foreign policy objectives by denying other friendly nations the opportunity to earn dollars needed for their economic recovery and mutual defense. Accordingly, the President states that he has requested that an Executive Order be prepared for his consideration which would call for a full investigation and report by the Tariff Commission on each escape clause modification at periodic intervals in order to determine whether or not the modified concession should be continued.

Copies of the Tariff Commission's report to the President are obtainable from the Commission. Copies of the President's letter to the Chairman of the Commission are available at the White House.

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International Trade Files, Lot 57 D 284, Box 161, "Escape Clause"

*Report of the President to the Congress of the United States Pursuant to Section 6(b) of the Trade Agreements Extension Act of 1951*

REPORT ON TRADE AGREEMENT ESCAPE CLAUSES

Section 6 of the Trade Agreements Extension Act of 1951 provides as follows:

"(*a*) No reduction in any rate of duty, or binding of any existing customs or excise treatment, or other concession hereafter proclaimed under section 350 of the Tariff Act of 1930, as amended, shall be permitted to continue in effect when the product on which the concession has been granted is, as a result, in whole or in part, of the duty or other customs treatment reflecting such concession, being imported into the United States in such increased quantities, either actual or relative, as to cause or threaten serious injury to the domestic industry producing like or directly competitive products.

"(*b*) The President, as soon as practicable, shall take such action as may be necessary to bring trade agreements heretofore entered into under section 350 of the Tariff Act of 1930, as amended, into conformity with the policy established in subsection (*a*) of this section.

"On or before January 10, 1952, and every six months thereafter, the President shall report to the Congress on the action taken by him under this subsection."*

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*The Report of the Senate Committee on Finance, which proposed section 6 in its present form, explained that "the principle of including an escape clause in existing agreements is not mandatory unless such action would be practicable" (Senate Report 299, April 27, 1951, 82d Congress, 1st Sess., p. 5). In

The effect of this new provision of trade agreements legislation is a statutory requirement (1) that all future trade agreement concessions shall be subject to an escape clause conforming to the policy established in subsection (*a*) of section 6, and (2) that, as soon as practicable, the President shall take such action as may be necessary to bring existing trade agreements which do not contain such an escape clause into conformity with the policy of subsection (*a*) of section 6 and to report to the Congress periodically on the action taken in this respect.

A review of existing trade agreements in the light of the policy expressed in section 6(*a*) and its legislative history shows that all except six are in conformity with this policy. As is indicated more fully later in this report, one of these six agreements is in the process of being terminated and another is under renegotiation which is likely to include the addition of escape clause provisions. Subcommittees of the Trade Agreements Committee have been directed to recommend to that Committee at an early date proposals with regard to the remaining four of these agreements. Since this is the first report to the Congress under section 6(*b*), the enumeration of the steps taken pursuant thereto is preceded by an explanation of the development of the use of escape clauses and the extent to which they have been made applicable to an increasingly larger number of concessions.

Ever since the enactment of the Trade Agreements Act in 1934 it has been the policy of the President to direct the operation of the trade-agreements program in such a way as to avoid serious injury to domestic industries. The extent to which domestic industries are protected against serious injury, through procedures followed in preparing for the negotiation of trade agreements, safeguards written into the concessions granted on specific products, and avenues of escape after the agreements become effective, has been called to the attention of the Congress in connection with the periodic renewals of the trade-agreements authority. A detailed description of these procedures and safeguards is contained in the report of the Ways and Means Committee on the 1951 renewal (House Report No. 14, January 29, 1951, 82d

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opening the debate on this provision in the Senate, Senator George, Chairman of the Committee, stated that, "In general, this amendment is designed to allow the greatest possible freedom in the operation of existing and future trade agreements without resultant serious injury to domestic producers" (97 Cong. Record (May 21, 1951) 5620). He continued:

"Recognizing, however, the varying situations which exist in our trade relations with different countries at different times, the committee places no time limit upon the President, and makes the principle of including the escape clause in existing agreements mandatory only if such action would be practicable. This is to make sure that no important interest in this country will be jeopardized by action which might be unwise or precipitate under the circumstances." (*Ibid.* 5620, 5621). [Footnote in the source text.]

Congress, 1st Session, p. 11 to 14). This report summarizes these procedures and safeguards as follows:

"Measures to assure that no United States industry will suffer serious injury or threat of serious injury through a concession in a trade agreement are provided for: (1) in the procedures followed before a trade agreement is negotiated; (2) in the individual concessions themselves; and (3) in the general provisions of the agreement which apply after the agreement becomes effective." (*Ibid.*, p. 11.)

In the early trade agreements negotiated under the Trade Agreements Act separate provisions were included to safeguard against each of various specified contingencies which might arise after the agreement became effective. For example, many of the early agreements contained a provision under which individual tariff concessions could be modified or withdrawn on short notice if it should develop after the agreement entered into force that third countries were getting the major benefit of the concession and serious injury were being caused or threatened to the domestic industry by increased imports of the product concerned. Another safeguarding provision found in many early trade agreements permitted termination or modification of the agreement on short notice in the event of wide variations in exchange rates threatening serious injury to domestic industries.

Subsequently, broader safeguarding provisions were included in later agreements largely because of the impossibility of foreseeing, at the time of making an agreement, all the situations which might arise under the agreement to require safeguarding action. Hence, beginning with the trade agreement with Argentina (signed October 14, 1941),† it has been the policy to rely upon provisions broad enough in scope to afford the basis for action in the event that situations should arise after the conclusion of the agreement of such a character as to threaten serious injury to domestic industries in either of the countries party to the agreement. Although all of these provide protection against serious injury to domestic producers, the exact text of the broad escape clauses included in them has varied somewhat.

In the trade agreements with Argentina (Article XII), Iceland (Article XII), Iran (Article IX), Peru (Article XI), and Uruguay (Article XII), which were concluded between 1941 and 1943, escape provisions, substantially similar to each other were inserted, which are broad enough in scope to afford the basis for prompt action in the event that circumstances should arise of such a kind as to threaten serious injury to domestic industries. Briefly described, the escape provisions in each of these agreements provide for consultation and

†The texts of this and later escape clause provisions discussed are reproduced as an appendix to this report. [Footnote in the source text.]

discussion in the event of any situation arising which has the effect of prejudicing an industry or the commerce of one of the parties to the agreement; such consultation is to take place with a view to effecting a mutually satisfactory adjustment of the matter, but if no agreement can be reached, the contracting party desiring to take the action may do so by terminating the agreement in whole or in part on short notice.

In the light of the experience gained in the operation of the trade-agreements program there was developed what has become known as the "standard" escape clause. On February 25, 1947 the President issued Executive Order No. 9832 in which he directed that all trade-agreements entered into thereafter should include the standard escape clause. Later executive orders (No. 10004 of October 5, 1948 and No. 10082 of October 5, 1949) continued the President's specific instruction regarding the standard escape clause with no substantial change. This clause provides in substance that trade agreement concessions may be suspended, withdrawn, or modified if it should be found after the agreement becomes effective that as a result in part of the concession a product is being imported in such increased quantities as to cause or threaten serious injury to the domestic industry producing like or directly competitive products. By virtue of section 6(*a*) of the 1951 Extension Act the presidential instruction set forth in these orders has become a statutory requirement to be followed in the negotiation of all new trade agreements.

The original negotiations leading to the multilateral trade agreement known as the General Agreement on Tariffs and Trade were completed at Geneva, Switzerland in October 1947 and, in compliance with Executive Order 9832, that Agreement contains the standard escape clause (Article XIX). The trade agreement with Paraguay (1946, Article XII) also contains the standard clause with only minor variations.‡

The standard escape clause permits the modification or withdrawal of concessions under conditions which are stated in terms substantially equivalent to those used in section 6(*a*) of the 1951 Extension Act, which sets forth the policy of Congress that trade agreement concessions should not be continued in effect under specified conditions. The clause is also substantially equivalent to the relevant provisions of section 7 of that act prescribing the method for carrying out this policy, which is through the withdrawal or modification of concessions if the President determines such action is warranted after investigation and report to the President by the Tariff Commission. The earlier escape clauses in the trade agreements with Argentina, Iceland, Iran,

‡A comparable escape clause was also in the trade agreement with Mexico (1942, Article XI), which is no longer in force. [Footnote in the source text.]

Peru,§ and Uruguay,‖ while not so specifically worded, are sufficiently broad in their language to permit such action to be taken by the United States. Consequently, these five trade agreements and those to which the standard escape clause is applicable are in conformity with the policy set forth in section 6(*a*).

The Executive has in recent years brought an ever-increasing proportion of trade agreement concessions, including those contained in earlier trade agreements, within the scope of the standard escape clause. This has been the case particularly since 1947, in connection with the multilateral negotiations with respect to the General Agreement. The original negotiations for this agreement at Geneva were carried on among twenty-three countries.¶ Subsequently, as a result of negotiations completed at Annecy, France in October 1949 and at Torquay, England in April 1951, thirteen additional countries** have acceded to that agreement.

In connection with the Geneva, Annecy and Torquay negotiations, it has been the consistent policy of the United States, in those cases where we had earlier bilateral trade agreements, to arrange with the countries concerned for the suspension or termination of existing bilateral agreements as these countries became contracting parties to the General Agreement. Hence, our earlier bilateral trade agreement obligations to countries becoming contracting parties to the General Agreement have been superseded by trade agreement obligations to them under the General Agreement which are subject to the standard escape clause. For example, our earlier bilateral trade agreements with such important trading countries as Canada (1938), the United Kingdom (1938), France (1936), Belgium (1935), and the Netherlands (1935) have all been superseded by the General Agreement. This has also been the case with our bilateral agreements with Brazil, Cuba, Finland, Haiti, Nicaragua, Peru, and Sweden.

As of January 1, 1952, the United States had trade agreement obligations with thirty-two†† countries under the General Agreement.

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§This agreement has been terminated as a result of the accession of Peru to the General Agreement on Tariffs and Trade in October 1951. [Footnote in the source text.]

‖Uruguay has undertaken negotiations for accession to the General Agreement, but has not yet acceded. Steps have been initiated for the termination of this bilateral agreement if Uruguay becomes a contracting party to the General Agreement. [Footnote in the source text.]

¶Australia, Belgium, Brazil, Burma, Canada, Ceylon, Chile, China, Cuba, Czechoslovakia, France, India, Lebanon, Luxembourg, Netherlands, New Zealand, Norway, Pakistan, Southern Rhodesia, Syria, Union of South Africa, United Kingdom, and United States. [Footnote in the source text.]

**Austria, Denmark, Dominican Republic, Finland, Federal Republic of Germany, Greece, Haiti, Italy, Liberia, Nicaragua, Peru, Sweden, and Turkey. [Footnote in the source text.]

††Australia, Austria, Belgium, Brazil, Burma, Canada, Ceylon, Chile, Cuba, Denmark, Dominican Republic, Finland, France, Federal Republic of Germany, Greece, Haiti, India, Indonesia, Italy, Liberia, Luxembourg, Netherlands, New Zealand, Nicaragua, Norway, Pakistan, Peru, Southern Rhodesia, Sweden, Turkey, Union of South Africa, and United Kingdom. [Footnote in the source text.]

The tariff concessions of the United States to these thirty-two countries, included in its schedules to the General Agreement, which are subject to the standard escape clause in that agreement, include approximately 85 percent of the import trade of the United States.

The trade agreement with Switzerland, signed in 1936, did not originally contain the standard escape clause, but on October 13, 1950 it was agreed by the two countries that the standard escape clause should thereafter be applicable to the 1936 agreement.

In addition to the trade agreements already discussed which are in conformity with the policy of section 6(*a*), the United States was, at the time of the enactment of the 1951 Extension Act, a party to bilateral trade agreements with six other countries as follows: Ecuador, El Salvador, Guatemala, Honduras, Turkey and Venezuela.

Steps are now under way for the termination of the agreement with Turkey (signed in 1939) following the accession of that country to the General Agreement in October 1951.

In the case of the trade agreement with Venezuela, which was signed in November 1939, formal public notice of intention of this Government to negotiate with the Government of Venezuela to supplement and amend the agreement was given on August 29, 1951 (16 F.R. 8868). In these negotiations the United States will seek inclusion in that agreement of an escape clause provision in conformity with the policy set forth in section 6(*a*) of the 1951 Extension Act.

The Interdepartmental Committee on Trade Agreements has set up subcommittees with instructions to formulate proposals with regard to the other four agreements—with Ecuador, El Salvador, Guatemala, and Honduras—in the light of the 1951 Extension Act and to report to it by March 1, 1952. The tariff concessions made by the United States in these four agreements are limited almost entirely to products such as bananas, coffee, and other tropical specialties which are non-competitive with domestic production.

## Appendix

### Escape Clause Provisions

#### I. PROVISIONS IN EXECUTIVE ORDERS

Executive Order 9832, February 25, 1947:

"1. There shall be included in every trade agreement hereafter entered into under the authority of said act of June 12, 1934, as amended, a clause providing in effect that if, as a result of unforeseen developments and of the concession granted by the United States on any article in the trade agreement, such article is being imported in such increased quantities and under such conditions as to cause, or threaten, serious injury to domestic producers of like or similar articles, the United States shall be free to withdraw the concession, in whole or in part, or to modify it, to the extent and for such time as may be necessary to prevent such injury." (3 CFR, 1947 Supp., p. 127.)

Executive Order 10004, October 5, 1948:

"10. There shall be applicable to each concession with respect to an article imported into the United States which is granted by the United States in any trade agreement hereafter entered into a clause providing in effect that if, as a result of unforeseen developments and of such concession, such article is being imported in such increased quantities and under such conditions as to cause or threaten serious injury to the domestic industry producing like or similar articles, the United States shall be free to withdraw the concession, in whole or in part, or to modify it, to the extent and for such time as may be necessary to prevent such injury." (3 CFR, 1948 Supp., p. 231.)

Executive Order 10082, October 5, 1949:

"10. There shall be applicable to each tariff concession granted, or other obligations incurred, by the United States in any trade agreement hereafter entered into a clause providing in effect that if, as a result of unforeseen developments and of such concession or other obligation, any article is being imported in such relatively increased quantities and under such conditions as to cause or threaten serious injury to the domestic industry producing like or directly competitive articles, the United States shall be free to withdraw or modify the concession, or suspend the other obligation, in whole or in part, to the extent and for such time as may be necessary to prevent such injury." (3 CFR, 1949 Supp., p. 127.)

II PROVISIONS IN TRADE AGREEMENTS

Trade Agreement with Argentina, October 14, 1941:

"*Article XII*

"1. If the Government of either country should consider that any circumstance, or any measure adopted by the other Government, even though it does not conflict with the terms of this Agreement, has the effect of nullifying or impairing any object of the Agreement or of prejudicing an industry or the commerce of that country, such other Government shall give sympathetic consideration to such representations or proposals as may be made with a view to effecting a mutually satisfactory adjustment of the matter. If no agreement is reached with respect to such representations or proposals, the Government making them shall be free to suspend or terminate this Agreement in whole or in part on thirty days' written notice." (56 Stat. (pt. 2) 1696, 1697.)

Trade Agreement with Uruguay, July 21, 1942:

"*Article XII*

"1. If the Government of either country should consider that any circumstance, or any measure adopted by the other Government, even though it does not conflict with the terms of this Agreement, has the effect of nullifying or impairing any object of the Agreement or of prejudicing an industry or the commerce of that country, such other Government shall give sympathetic consideration to such representations or proposals as may be made with a view to effecting a mutually satisfactory adjustment of the matter. If no agreement is reached with respect to such representations or proposals, the Government making

them shall be free to suspend or terminate this Agreement in whole or in part on thirty days' written notice." (56 Stat. (pt. 2) 1635.)

Trade Agreement with Iran, April 8, 1943:

"*Article IX*

"1. If the Government of either country should consider that any circumstance, or any measure adopted by the other Government, even though it does not conflict with the terms of this Agreement, has the effect of nullifying or impairing any object of the Agreement or of prejudicing an industry or the commerce of that country, such other Government shall give sympathetic consideration to such written representations or proposals as may be made with a view to effecting a mutually satisfactory adjustment of the matter. If agreement is not reached with respect to the matter within thirty days after such representations or proposals are received, the Government which made them shall be free, within fifteen days after the expiration of the aforesaid period of thirty days, to terminate this Agreement in whole or in part on thirty days' written notice." (58 Stat. (pt. 2) 1327.)

Trade Agreement with Iceland, August 27, 1943:

"*Article XII*

"If the Government of either country should consider that any circumstance, or any measure adopted by the other Government, even though it does not conflict with the terms of this Agreement, has the effect of nullifying or impairing any object of the Agreement or of prejudicing an industry or the commerce of that country, such other Government shall give sympathetic consideration to such written representations or proposals as may be made with a view to effecting a mutually satisfactory adjustment of the matter. If agreement is not reached with respect to the matter within thirty days after such representations or proposals are received, the Government which made them shall be free, within fifteen days after the expiration of the aforesaid period of thirty days, to terminate this Agreement in whole or in part on thirty days' written notice." (57 Stat. (pt. 2) 1086.)

Trade Agreement with Paraguay, September 12, 1946:

"*Article XII*

"1. If, as a result of unforeseen developments and of the concession granted on any article enumerated and described in the Schedules annexed to this Agreement, such article is being imported in such increased quantities and under such conditions as to cause or threaten serious injury to domestic producers of like or similar articles, the Government of either country shall be free to withdraw the concession, in whole or in part, or to modify it to the extent and for such time as may be necessary to prevent such injury. Accordingly, if the President of the United States of America finds as a fact that imports of any article enumerated and described in Schedule II are entering the United States of America under the circumstances specified in the preceding sentence, he shall determine whether the withdrawal, in whole or in part, of the concession with regard to the article, or any modification of the concession, by the imposition of quantitative regulations or otherwise, is necessary to prevent such injury, and

he shall, if he finds that the public interest will be served thereby, proclaim such finding and determination, and on and after the effective date specified in such proclamation, and so long as such proclamation remains in effect, imports of the article into the United States of America shall be subject to the customs treatment so determined to be necessary to prevent such injury. Similarly, if the Government of the Republic of Paraguay finds as a fact that any article enumerated and described in Schedule I is being imported into the Republic of Paraguay under the circumstances specified, it may, if it finds that the public interest will be served thereby, withdraw in whole or in part the concession with regard to the article, or modify the concession by the imposition of quantitative regulations or otherwise, to the extent and for such time as may be necessary to prevent such injury.

"2. Before the Government of either country shall withdraw or modify a concession pursuant to the provisions of paragraph 1 of this Article, it shall give notice in writing to the Government of the other country as far in advance as may be practicable and shall afford such other Government an opportunity to consult with it in respect of the proposed action; and if agreement with respect thereto is not reached the Government which proposes to take such action shall, nevertheless, be free to do so and the other Government shall be free within thirty days after such action is taken to terminate this Agreement in whole or in part on thirty days' written notice." (61 Stat. (pt. 3) 2700, 2701.)

General Agreement on Tariffs and Trade, October 30, 1947:

"*Article XIX*

"*Emergency Action on Imports of Particular Products*

"1. (*a*) If, as a result of unforeseen developments and of the effect of the obligations incurred by a contracting party under this Agreement, including tariff concessions, any product is being imported into the territory of that contracting party in such increased quantities and under such conditions as to cause or threaten serious injury to domestic producers in that territory of like or directly competitive products, the contracting party shall be free, in respect of such product, and to the extent and for such time as may be necessary to prevent or remedy such injury, to suspend the obligation in whole or in part or to withdraw or modify the concession.

"(*b*) If any product, which is the subject of a concession with respect to a preference, is being imported into the territory of a contracting party in the circumstances set forth in sub-paragraph (*a*) of this paragraph, so as to cause or threaten serious injury to domestic producers of like or directly competitive products in the territory of a contracting party which receives or received such preference, the importing contracting party shall be free, if that other contracting party so requests, to suspend the relevant obligation in whole or in part or to withdraw or modify the concession in respect of the product, to the extent and for such time as may be necessary to prevent or remedy such injury.

"2. Before any contracting party shall take action pursuant to the provisions of paragraph 1 of this Article, it shall give notice in writing to the Contracting Parties as far in advance as may be practicable and shall afford the Contracting Parties and those contracting parties

having a substantial interest as exporters of the product concerned an opportunity to consult with it in respect of the proposed action. When such notice is given in relation to a concession with respect to a preference, the notice shall name the contracting party which has requested the action. In critical circumstances, where delay would cause damage which it would be difficult to repair, action under paragraph 1 of this Article may be taken provisionally without prior consultation, on the condition that consultation shall be effected immediately after taking such action.

"3. (*a*) If agreement among the interested contracting parties with respect to the action is not reached, the contracting party which proposes to take or continue the action shall, nevertheless, be free to do so, and if such action is taken or continued, the affected contracting parties shall then be free, not later than ninety days after such action is taken, to suspend, upon the expiration of thirty days from the day on which written notice of such suspension is received by the Contracting Parties, the application to the trade of the contracting party taking such action, or, in the case envisaged in paragraph 1 (*b*) of this Article, to the trade of the contracting party requesting such action, of such substantially equivalent obligations or concessions under this Agreement the suspension of which the Contracting Parties do not disapprove.

"(*b*) Notwithstanding the provisions of sub-paragraph (*a*) of this paragraph, where action is taken under paragraph 2 of this Article without prior consultation and causes or threatens serious injury in the territory of a contracting party to the domestic producers of products affected by the action, that contracting party shall, where delay would cause damage difficult to repair, be free to suspend, upon the taking of the action and throughout the period of consultation, such obligations or concessions as may be necessary to prevent or remedy the injury." (61 Stat. (pt. 5) A58 to A60.)

Agreement with Switzerland, October 13, 1950:

"1. If, as a result of unforeseen developments and of the effect of the obligations incurred by the Government of the United States of America or of Switzerland under the Trade Agreement signed in Washington January 9, 1936, including tariff concessions, any product is being imported into the territory of either country in such relatively increased quantities and under such conditions as to cause or threaten serious injury to the domestic industry in that territory producing like or directly competitive products, the Government of the United States of America or of Switzerland shall be free, in respect of such product, and to the extent and for such time as may be necessary to prevent or remedy such injury, to suspend the obligation in whole or in part or to withdraw or modify the concession.

"2. Before the Government of the United States or of Switzerland shall take action pursuant to the provisions of Paragraph one above, it shall give notice in writing to the other Government as far in advance as may be practicable and shall afford such other Government an opportunity to consult with it in respect of the proposed action and with respect to such compensatory modifications of the Trade Agreement as may be deemed appropriate, to the extent practicable maintaining the general level of reciprocal and mutually advantageous concessions in the Agreement. If agreement between the two

Governments is not reached as a result of such consultation, the Government which proposes to take the action under Paragraph one shall, nevertheless, be free to do so and, if such action is taken, the other Government shall be free, not later than ninety days after the action has been taken and on thirty days' written notice, to suspend the application to the trade of the Government taking action under Paragraph one of substantially equivalent obligations or concessions under said Trade Agreement. The Government taking action under Paragraph one shall then be free, within thirty days after such suspension takes effect, to terminate said Trade Agreement on thirty days' written notice. In critical circumstances, where delay would cause damage which it would be difficult to repair, action under Paragraph one may be taken provisionally without prior consultation, under the condition that consultation shall be effected immediately after taking such action. Where an action taken without prior consultation causes or threatens to cause serious injury in the territory of the other Government to the domestic producers of products affected by the action, that Government shall, where delay would cause damage difficult to repair, be free to suspend, upon the taking of the action and throughout the period of consultation, such obligations or concessions as may be necessary to prevent or remedy the injury." (16 F.R. 11945, 11946.)

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394.31/1–1552 : Telegram

*The Ambassador in Belgium (Murphy) to the Secretary of State*

RESTRICTED BRUSSELS, January 15, 1952—5 p. m.

975. ReDeptel 987 priority Brussels, rptd Hague 874 Lux 77 Paris 3881 Rome 3070.[1] FonOff note on hatters fur withdrawal recd Jan 15. Note reiterates Belg Govt contests applicability Article XIX and notifies us Belg Govt intends request intervention of CP's in accordance Article XXII [*XXIII?*]. Note also expresses Belg Govt satisfaction with plan for assuring periodic review and repeats Belg Govt reservation under paragraph 3 line A Art XIX.

Sent Dept 975 rptd info Hague 64 Paris 244 Rome 43 Luxembourg unn.

MURPHY

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[1] Dated January 6, 1952, p. 1560.

# MATTERS RELATING TO THE FOREIGN FINANCIAL POLICY OF THE UNITED STATES[1]

NAC Files, Lot 60 D 137[2]

*Memorandum by the Export-Import Bank of the United States to the National Advisory Council on International Monetary and Financial Problems (NAC)*[3]

CONFIDENTIAL [WASHINGTON,] December 13, 1950.
NAC Doc. No. 1079

Subject: Requested increase in the lending authority of the Export-Import Bank.[4]

*Request*

In a letter to the President dated November 30, 1950, the Board of Directors of the Export-Import Bank asked that the Congress be requested to increase the lending authority of the Export-Import Bank by at least $1.5 billion. The Gray Report recommended that the lending authority of the Export-Import Bank be increased by at least this amount.[5] The steering group on the foreign aid program has agreed that this increase in the lending authority of the Bank is an integral part of the foreign aid program now under consideration and should be so presented to the Congress, even though the specific legislation will be separate and will be considered by the Banking and Currency Committees rather than the Foreign Affairs Committees.[6]

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[1] Continued from *Foreign Relations*, 1950, vol. I, pp. 810 ff.

[2] Master file of the documents of the National Advisory Council on International Monetary and Financial Problems for the years 1945–1958, as maintained by the Bureau of Economic Affairs of the Department of State.

[3] The National Advisory Council on International Monetary and Financial Problems (NAC) was an interdepartmental committee established by the Bretton Woods Agreements Act of July 31, 1945 (59 Stat. 512). The Bretton Woods Act provided for United States participation in the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD, or "the Bank"). The National Advisory Council was to coordinate policies of the U.S. Government with respect to its relations with these two international financial institutions. The NAC Files of the Department of State are located in Lot 60 D 137.

[4] For documentation regarding the role of the National Advisory Council in the operations of the Export-Import Bank from the inception of the NAC in 1945, see *Foreign Relations*, 1946, vol. I, pp. 1391–1436 *passim*.

[5] For documentation on the (Gordon) Gray Report to the President on foreign economic policies, November 10, 1950, see *ibid.*, 1950, vol. I, pp. 831 ff.

[6] For documentation on the formulation of the foreign aid program and the steering group named here, see pp. 266 ff.



549-782—79——100

*Need for U.S. Foreign Lending*

Foreign loans by the United States are needed for precisely the same reasons as foreign aid in other forms. The basic objective in providing foreign economic aid is to create situations of political, economic, and military strength in the free world. More specifically, foreign loans as well as grants and technical aid are necessary to fulfill three major purposes, aside from strictly military purposes: (1) Increased production and movement of critical and strategic materials required for defense, (2) increased production by friendly nations from their own domestic resources of goods required for their minimum essential consumption and maintenance, and (3) minimum essential progress on the part of friendly governments toward meeting the basic needs of their peoples and thus maintaining political stability. Foreign aid extended for these purposes is distinguishable from aid designed to bring about general improvement over the long term in levels of productivity and consumption. Aid of the latter type can be eliminated in periods when defense preparations or war make heavy demands on available resources. Aid for the three purposes listed above, however, is not marginal but instead constitutes an essential and integral part of a defense program. Although the demands of the military defense program on United States resources will sharply limit the resources available for foreign aid, non-military foreign assistance, including loans wherever repayment prospects exist, will be necessary in some minimum amount to meet the purposes mentioned.

It is believed that wherever essential United States purposes can be achieved by investment in the form of loans made on the usual economic basis including reasonable prospects of repayment and conventional terms and conditions, loans rather than grants should be made. It may be anticipated that there will be substantial opportunity for the accomplishment of United States foreign aid objectives through loans rather than grants (except for technical assistance), particularly in Latin America, parts of Asia, Africa, and Europe, and the British Commonwealth. It is believed also that the increased dollar earnings of many of the underdeveloped countries resulting from the high demand for their products will permit them to service larger debt than would have been otherwise possible.

*Necessity for Increase in Lending Authority of the Export-Import Bank*

The Export-Import Bank is the sole foreign lending agency of the United States Government. The Bank has the experience necessary for the conduct of the type of lending program which will be necessary and possible from this time on and for at least the next few years. However, the existing resources of the Bank do not permit any significant amount of additional lending. At present approximately

$500 million of its present lending authority remains uncommitted. To this there may accrue approximately $150 million from repayments of principal due up to December 31, 1951. However, commitments cannot be made on the basis of principal payments which are anticipated. Furthermore, there are now pending before the Bank and in an advanced stage of consideration applications totalling approximately $125 million. Moreover, the exigencies of the international situation and the interests of the United States require that the Bank reserve at all times a substantial fund, perhaps in the neighborhood of three hundred to four hundred million dollars, to meet sudden and unanticipated demands. Consequently, the amount available for new lending on the part of the Bank at the present time is actually only in the neighborhood of one hundred million to two hundred million dollars. Without a substantial increase in its lending authority, the Bank will not be in a position to make the foreign loans which will be necessary in the interests of the United States in the next few years. In fact, without such an increase, the Bank will very shortly be immobilized so far as new credits are concerned.

*Undesirability of Pre-allocation of Increased Lending Authority*

It is both unnecessary and undesirable to attempt to support a request for an increase in the lending authority of the Bank by outlining a program of loans. It is unnecessary because an increase of $1.5 billion or more in the lending authority of the Bank represents simply an increase in the capital of the Bank. It constitutes an increase in the funds available for lending but it does not constitute a commitment to lend those funds in any given period of time. In short, an increase in the lending authority of the Bank differs completely from an appropriation of funds to be spent within a given year.

It is undesirable to attempt to justify an increase in the capital of the Bank on the basis of a program of loans to be made for several reasons. First, in the rapidly changing situation of today it is believed to be important that the Bank and thus the United States Government maintain maximum flexibility. The experience of the Bank both in the last war and in the period since the last war has demonstrated the value of a fund available to be used under certain conditions to meet needs which arise quickly and are frequently quite unanticipated.

Moreover, any attempt to justify an increase in the capital of the Bank by listing and adding possible loans inevitably will result in hampering necessary freedom of judgment in making loans and quite possibly will lead prospective borrowers to believe that funds are earmarked for them. These dangers will be particularly pronounced if such pre-allocations are made by the National Advisory Council or by the Congress. The right of the United States Government to make judgments on individual loan applications must be reserved without qualification. This will not be achieved if an attempt is made to project

possible loans even on an area basis in support of a request for increase in the lending authority of the Export-Import Bank.

It should be noted also that it is in fact impossible to program loans to be made in any period of several years. Loans, unlike ordinary expenditures, are not unilateral actions. Loans are made by agreement with borrowers and always involve at least two parties. The probability that such agreements can be concluded cannot be predicted long in advance, particularly in a rapidly changing world situation.

For all of these reasons it is believed to be highly desirable that the request for an increase in the lending authority of the Export-Import Bank be supported on the basis of the obvious and readily understandable fact that loans will need to be made in the essential interests of the United States for the purposes mentioned above and that it will be impossible for the Export-Import Bank to make such loans unless its lending authority is increased.

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NAC Files, Lot 60 D 137

*Memorandum by the NAC Staff Committee to the National Advisory Council*

SECRET [WASHINGTON,] December 22, 1950.

NAC Doc. No. 1081

[Here follows a table of contents. A revised summary of conclusions and recommendations initiated the paper (pages 1–3). The document proper was divided into five parts as follows: Part I, Outline of Proposed Foreign Assistance Programs, pages 1–7; Part II, Grant Assistance in Relation to the Levels of Gold and Dollar Reserves of Recipient Countries, pages 8–15; Part III, Counterpart Policy, pages 16–20; Part IV, Loans and Grants, pages 21 and 22; and Part V, Increase in Export-Import Bank Lending Authority, pages 23–27. The text of Parts I–III follows the table of contents.]

## PART IV

### RELATION OF LOANS AND GRANTS IN FOREIGN ASSISTANCE PROGRAMS

1. *European Countries*

For the past two years the Council has recommended that economic assistance to Europe should be on a grant basis. The fact that our assistance in the coming period must be viewed essentially as part of the military effort would suggest even more strongly that this policy should be continued for 1952.

2. *Underdeveloped Countries*

The problem of analyzing the relative roles of loans and grants in the proposed programs in the underdeveloped areas, especially in the

Middle East, South and Southeast Asia and Africa, is exceedingly difficult because of the predominantly political reasons for pushing forward programs of this magnitude at the present time. To some extent this political reason may justify a larger grant component in the total program than would otherwise be the case.

While the present program anticipates an appropriation request for only one year, it is to be regarded as an initial step in a longer-range program for the development of these areas. At present this long-range program has not been fully developed, and considerable time will have to be given to its planning and formulation, both in the recipient countries and in the U.S. Government. If the program were intended for a single year, it would be easier to decide the extent to which it can be financed on a loan basis and to what extent grants may be necessary. The prospective amounts would be more definite and the capacity of countries to repay could be more adequately judged in terms of their present balance-of-payments prospects. With a larger and less definite program extending over a number of years, the uncertainties in evaluating the relevant factors are multiplied considerably, so that it would not be prudent to determine, at this time, the relative roles of loans and grants for the entire program.

Some of the projects and programs for economic development which will be viewed by the recipient countries as of greatest importance for their economic development will be for projects and programs of the type which lend themselves to normal international lending operations by the established institutions, i.e., the Export-Import Bank and the International Bank. Where the projects are of this type and there is reasonable ability to service loans, they should be financed through the established agencies on the usual terms and conditions.

Certain other projects or programs which are of the predominantly technical assistance character,[1] or programs for advancing health, education, or other objectives which do not result in an immediate increase in the prospective ability to service loans but which are regarded as essential for economic development, had best be treated on an outright grant basis. While it might be argued that the countries themselves should be willing, if they have the ability to service loans, to finance some of these programs on a loan basis, it is recognized that programs of this sort do not lend themselves to the normal type of banking operations as readily as do programs for transportation, public utilities, or industrial plants of the types which the banks have in time past financed. Where it is deemed desirable on political grounds to undertake such programs, it would be appropriate to finance them

[1] For documentation regarding U.S. policy on technical assistance, see pp. 1641 ff.

on a grant basis. Moreover, certain related projects, while not of strictly technical assistance character in that they require larger proportions of materials, may be pushed at this time in terms of the general character of the program and as necessary adjuncts to the technical assistance or STEM programs. In such cases grant assistance might also be appropriate.

It is extremely difficult at any time to estimate the ability of foreign countries to service debt. While studies of the balance of payments may indicate what the present position of the country is, the projection of balance of payments for any considerable period is, at best, hazardous. Since the term of a loan is frequently 20 to 30 years, it is obviously impossible to predict with any degree of assurance what the debt servicing capacity of a country will be throughout the life of the loan. Practical judgment must be made in terms of the general prospects of the economy under consideration and the course of its internal financial and economic situation as well as its prospects of realizing foreign exchange through the sale of goods and services. At the present stage of world development with rapidly shifting trade patterns, changes in reserves and shifting prices, prediction becomes even more difficult. As the result of the defense effort, the balance-of-payments positions of some of the underdeveloped countries may improve considerably because of these materials, or possible increases in the prices of these materials. To what extent these improved payments positions are temporary can not, of course, be determined.

The Staff Committee has undertaken some preliminary studies of the debt-paying capacity of the recipients of grant aid under the proposed program and has based such studies principally on an appraisal of the current trade and payments situations of the countries concerned. These studies are incorporated in NAC Staff Document No. 486 [2] and may be of some use in indicating the appropriate policy to be followed, but it is recognized that they are based on the current situation which need not necessarily continue over a future period. It does appear, however, that for some of these countries there is a considerable capacity to service debt, while in others the immediate prospects are not very favorable. It would not appear desirable to adopt in this program a grant-loan ratio as was practically required under the legislation governing ERP. Where a loan is bankable, it should be treated as a loan by the usual public lending agencies. Where the type of project, or the situation of the country, indicates that a loan can not be serviced without an unreasonable burden and with reasonable prospects of repayment, assistance should be made on a grant basis.

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[2] Not printed.

## Part V

### INCREASE IN LENDING AUTHORITY OF THE EXPORT-IMPORT BANK

In its meeting of December 14, 1950, the Staff Committee recommended the following action for the consideration of the Council:

The NAC recommends an increase of $1.5 billion in the lending authority of the Export-Import Bank as an integral part of the legislative program for foreign financing proposed to be presented by the Administration to the next Congress.

The findings upon which the above recommendation was made were based upon information contained in NAC Document No. 1079, which follows. There is also attached a summary statement on the financial status of the Export-Import Bank and the International Bank as of November 30, 1950.

[Here follows text of NAC Doc. No. 1079, *supra.*]

[Attachment]

### Financial Status of the Export-Import Bank and the International Bank

NOVEMBER 30, 1950

(In millions of dollars)

| *Item* | *Export-Import Bank* | *International Bank* |
|---|---|---|
| Total Uncommitted and Available for New Loans | $512.0 | $71.4* |
| Funds Committed but not Yet Disbursed | $746.0 | $366.7 |

*Note:* The available resources of the International Bank on November 30, 1950, amounted to $1,045.7 million. This figure includes the 20 percent U.S. contribution ($635.0 million), the 2 percent unrestricted dollar contributions of all other member countries ($99.0 million), funds released by certain of these countries from their 18 percent capital subscriptions and subsequently disbursed by the Bank ($17.6 million), funds obtained through the sale of bonds ($260.6 million), and funds resulting from operations (approximately $33.5 million). The total does not include any estimate of non-dollar funds tentatively agreed upon for conditional release out of the 18 percent subscription of certain member countries.

As of November 30, 1950, total loans committed were $974.3 million, after deducting $46.4 million in cancellations, loans sold, and principal repayments available for reloaning. Thus, available resources of

*Based on bond issues outstanding as of November 30, 1950. [Footnote in the source text.]

$1045.7 million *less* total loans committed of $974.3 million equals total uncommitted and available for new loans of $71.4 million.

Between January 1, 1950 and November 30, 1950 the Export–Import Bank had authorized new credits of $530.8 million. During the same period, the International Bank had negotiated $276.6 million in loan commitments.

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NAC Files, Lot 60 D 137

*Draft of Minutes of Meeting No. 168 of the National Advisory Council, Washington, December 26, 1950*

SECRET

[Here follows list of persons present (28). The statutory chairman of the National Advisory Council was present (Secretary of the Treasury John W. Snyder). Also present and representing the Department of State were Willard L. Thorp, Assistant Secretary of State for Economic Affairs; Leroy D. Stinebower, Director, Office of Financial and Development Policy; and Jerome J. Stenger, Division of Investment and Economic Development. Others present, referred to in this extract, include: C. Dillon Glendinning, NAC Secretary; Herbert E. Gaston, Export-Import Bank; and M. S. Szymczak, Board of Governors, Federal Reserve System. Discussion of NAC Doc. No. 1081 (extract, *supra*) followed.]

*Increase in Export-Import Bank Lending Authority.*—Mr. Glendinning pointed out that the Export-Import Bank had forwarded a paper to the Council that recommended an increase of $1.5 billion in the present lending authority of the Export-Import Bank (NAC Document No. 1079 [1]). The matter had been discussed in the Staff Committee and the majority view was to forward to the Council a recommendation of approval of this amount. On page 27 of NAC Document No. 1081 there was a statement of the present uncommitted funds of the Export-Import Bank and the International Bank. The International Bank funds, on the basis of existing bond issues were relatively low, amounting to $71 million, whereas the Export-Import Bank had slightly over $500 million.

Mr. Gaston said that the present thinking of the Export-Import Bank was that they should have some increase in their lending authority. The Bank would have about $500 million at the end of the fiscal year. However, the Bank believed it should always have a substantial reserve for emergency purposes and that to have only $500 million in the present situation available for the next year would be unwise.

The Chairman observed that in a four-year period the Export-Import Bank had committed a billion dollars and asked whether 1.5

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[1] Dated December 13, p. 1573.

billion dollars was not a little too much to ask for at the present time. Mr. Gaston said that conditions were different from the earlier period, and the increased lending authority would not be used up in a short period if the Council thought it was unwise. He pointed out that the Export-Import Bank did not have a program of loans for the coming year. He added that the Gray Report had originally suggested an increase of $3 billion to $4 billion of lending authority. The Bank thought that a $5 billion total of lending authority was more appropriate. It thought it was not unreasonable to ask for that amount, but it might be better to approach Congress with a lesser figure. If a lesser figure was considered advisable, he believed it should be something more than $500 million, say $750 million.

Mr. Thorp said he did not think it was well for the Administration to get itself into the position where each year it was necessary to go to Congress on the question of the lending authority of the Export-Import Bank. The State Department had been thinking of this increase as something which, once obtained, would last for a number of years. The control of the expenditures would remain with the National Advisory Council. The Bank might go to Congress, say once every five years, for adjustment upward or downward of its lending authority. The State Department had felt that the Bank needed to have additional funds because it was not clear as yet how strategic materials would be handled and a number of them, such as manganese in Brazil, would probably be the subject of Export-Import operations. Mr. Gaston added that the Bank had several of such projects involving manganese, cobalt, nickel, and sulphur.

Mr. Szymczak suggested that an action might be taken that the lending authority be increased up to some agreed figure. The determination of the actual amount to be asked of Congress could be made at a later date. The Chairman thought that this would be a matter that would have to be determined by the budgetary situation. He would have no hesitancy personally in requesting almost unlimited borrowing authority, but there was a practical budgetary problem.

Mr. Gaston said that he would not like anyone to assume that this amount represented a budget for disbursement during any particular period. The Chairman observed that that was the way Congressmen would interpret the request.

After some further discussion of the amount, during which Mr. Gaston suggested that a billion dollars might be an appropriate figure, it was agreed to defer to a later meeting action on this part of the recommendations.

[Here follows text of NAC Action No. 442, relating to other parts of NAC Doc. No. 1081 not considered here. Regarding NAC action on the question of the relation of loans and grants in foreign assistance programs, see page 1592.]

NAC Files, Lot 60 D 137

*Draft of Minutes of Meeting No. 169 of the National Advisory Council, Washington, December 28, 1950*

SECRET

[Here follows list of persons present (27).]

2. *Proposed Increase in Lending Authority of the Export-Import Bank*

Secretary Snyder pointed out that this topic had been discussed at the preceding Council meeting (December 26, 1950). Immediately after that meeting the Bureau of the Budget requested that a definite conclusion be reached on the subject. Accordingly it was now up for reconsideration.

Mr. Gaston noted that gross commitments of the Export-Import Bank (since it received an increase in its lending authority in 1945) had now reached $3.8 billion, and aggregated $2.6 billion after deducting cancellations and repayments. New loan commitments during the past year were approximately $550 million. Mr. Gaston said that he anticipated considerable new business during the period immediately before us, most of which would be directly related to the output of strategic materials. Total loans ranging between $250 million and $500 million per year seemed probable, based on the past year's experience. He noted that it was possible that only $400 million might be left in loanable funds on June 30, 1951. The difficulty of planning for the next two or several years accordingly appeared very great. Mr. Gaston also observed that the Bank was prepared to request of the Congress a five-year extension of its loan authority (from 1953) to permit disbursements on prior commitments to extend past 1953. He added that the authorization requested would assure continuity of the Bank's operations for several years, so that it could plan a proper role in the defense effort.

Secretary Snyder inquired whether the Bank presently investigated all potential loans in the light of possible material availabilities in the United States. Mr. Gaston said that all new loan commitments were being reviewed very carefully with this factor in mind. Mr. Blaisdell pointed out that the Export-Import Bank had, at one time, an arrangement with the Department of Commerce on licensing, and perhaps a similar arrangement could be set up in the near future. Mr. Gaston expressed complete agreement.

Mr. Dembitz[1] mentioned that Governor Szymczak was in favor of the full increase of $1.5 billion in order to give the Bank sufficient funds for more than one year's normal operations. The Bank could accordingly avoid returning to the Congress for additional funds

[1] Lewis Dembitz, Board of Governors, Federal Reserve System.

each year. Mr. Fisher said that the State Department concurred in this view.

Secretary Snyder pointed out that his own opinion was that this would be asking for too much now in view of the budgetary situation. He doubted the advisability of requesting an authorization greatly in excess of the amount that the Bank could expect to lend in the near future, even if it were to loan a maximum of $500 million a year. He stressed, however, that although his own view differed from that of the majority he would not press it here. He pointed out that in presenting the request to the Congress Mr. Gaston would be asked detailed questions as to exactly what the money was for—questions which could prove quite embarrassing.

Mr. Blaisdell[2] suggested the possibility of settling the Congressional situation in advance through a conference with Congressional leaders. Secretary Snyder said that this would probably be difficult.

Mr. Gaston stated that he was fearful that in the uncertain days ahead, the Export-Import Bank might suddenly be asked for some very large loans at a time when Congress might be out of session. Hence, he believed it advisable for the Bank to have this additional stand-by lending authority. Secretary Snyder said that since it was his view that the Congress would be in session almost continuously as long as present uncertain world conditions prevailed, he could not agree with Mr. Gaston on this point.

*Action:* The following action was taken:

The National Advisory Council recommends an increase of $1.5 billion in the lending authority of the Export-Import Bank as an integral part of the legislative program for foreign financing proposed to be presented by the Administration to the next Congress.

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[2] Thomas C. Blaisdell, Jr., Assistant Secretary of Commerce for Foreign and Domestic Commerce.

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NAC Files, Lot 60 D 137

*Memorandum by the NAC Staff Committee to the National Advisory Council*

SECRET [WASHINGTON,] March 27, 1951.

NAC Doc. No. 1117

Subject: Appreciation of Currencies

*Problem*

The pattern of world trade has recently shifted as a consequence of the increased armament effort and rises in the prices of certain raw materials. There have also been abnormal movements of capital. Among the results have been improvements in the balance-of-payments positions of some countries, redistribution of monetary reserves, and

the widespread intensification of inflationary pressures. Suggestions for the appreciation of currencies have appeared in technical discussions and have been under consideration in several countries, as well as in the staff of the Economic Commission for Europe and other international bodies. It is desirable for the Council to give an expression of its views on this matter, particularly for the guidance of the United States Executive Director of the Fund, and of the diplomatic and ECA missions abroad.

*Discussion*

1. *The Economic Effects of Appreciation*

The immediate effect of an appreciation of a currency is to decrease the price of foreign currencies and of gold when expressed in the currency of the country revaluing. An appreciation, therefore, tends to stimulate imports and contract exports. It may be noted that the local currency value of gold and foreign exchange reserves on the books of the central bank decreases.

In general, the effect of an appreciation, therefore will be to increase a balance-of-payments deficit of a country which already has a deficit, or to decrease a surplus on current account of a country with an active trade balance. It is, however, difficult to predict either the change in the volume of exports in response to a reduction of price in local currency, or the effect on the price and volume of imports. The effect upon world prices of commodities will vary with the importance of the appreciating country as a supplier on the world markets and the effect of the appreciation on the quantity offered. In the case of many raw materials, particularly agricultural products, the total output may not be changed significantly in the short-run, although the decreased local currency price of exports may cause a larger portion of the total production to flow to the home market. On the other hand, if one country appreciates while others retain the existing exchange rates of their currencies, there would be a stimulus to imports, although if the imported goods are subject to controls or allocations abroad there need not be a corresponding increase in purchases. Where the volume of imports is limited by quantitative or exchange restrictions, appreciation would make the control more difficult.

If a large number of countries appreciated, there would be a tendency to divert their exports from the United States and other non-appreciating countries to each other, and to increase their imports from the United States and other non-appreciating countries. Thus, if most countries other than the United States appreciate their currencies, they would tend to increase their net demands on goods from this country at a time when goods are in increasingly short supply. Furthermore, on the assumption that there is a close relation between dollar payments and local currency supply prices, the diversion of their exports to local consumption or to each other would make it more diffi-

cult for the United States to obtain needed supplies, or compel the United States to pay a higher dollar price for the goods which it needs.

2. *Motives for Appreciation*

It should, however, be noted that under current conditions, some or all of the effects of appreciation might differ markedly from those indicated in the conventional analysis of the foregoing paragraphs. In the case of some countries, the expectation of such unconventional results may provide a partial explanation of their interest in appreciation.

Under present world economic conditions, some countries may expect from appreciation either of two major advantages: (*a*) that it would tend to combat domestic inflation, or (*b*) that it would improve the country's terms of trade and perhaps its balance of payments.

(*a*) *Combating inflation*

The anti-inflationary effects of currency appreciation have a considerable appeal in a period of wide-spread inflationary pressures. The local currency cost of imports is reduced, and this is expected to exercise a downward pressure on the price level. In a country where budgetary subsidies have been used to keep the cost of living down, appreciation would tend to reduce the need for such subsidies, and thus relieve pressure on the Government budget. Appreciation tends to reduce the local currency incomes of exporters, and thus to reduce the currency circulation. As a result, appreciation would tend to have an anti-inflationary effect.

A special form of inflationary pressure, speculative inward capital movements, may be present in some countries, and would tend to be checked by currency appreciation. As a result of world uncertainties, certain countries are recipients of heavy inward movements of capital seeking "safe haven", even some countries which are still experiencing balance-of-payments difficulties on current account. Other devices are available for avoiding the inflationary impact of capital inflow, e.g., sterilization through budgetary surpluses, or the sale of Government bonds to the public, but the feasibility of such devices varies considerably from country to country in the light of political and economic factors. Appreciation may appear to be an easier method of discouraging capital inflow, and reducing the local currency cost, and thus the inflationary impact, of such flight capital as continues to come in.

(*b*) *Improving terms of trade and balances of payments*

In the present seller's market, countries which export urgently needed goods in world short supply may anticipate better terms of trade with appreciation. While this consideration is likely to be of greater significance in the case of raw material producing countries, it may also be present in countries exporting important industrial goods. Such countries may consider that export prices can either be held in local currency terms or, at least, improved in terms of foreign exchange without commensurate decrease in the volume of exports. Vis-à-vis the United States, this expectation would be based upon the assumption that our price ceilings on imports will not be firm. On the import side, world shortages might be expected to minimize the increase in the volume of imports which would be conventionally expected to follow currency appreciation, and price controls in supplying

countries should prevent price increases. Thus while conventionally a currency appreciation would tend to worsen a country's balance-of-payments, some countries may consider that in present circumstances appreciation could have the opposite effect. An incidental effect would be to permit central banks to pay for any accumulations of foreign exchange reserves at a lower cost in local currency. It should be noted that a balance-of-payments improvement as a result of appreciation would generally be incompatible with anti-inflationary objectives.

A complex of considerations might be present in this field. For example, a country which felt that some gains for its domestic economy would result from appreciation of its currency might wish to follow that course even at the expense of deterioration in its balance-of-payments if a prospect existed of thus increasing its own claim for extraordinary assistance or reducing the claims of others.

3. *Effects of Appreciation on Other Countries*

It should be noted that appreciation for anti-inflationary purposes would, if effective, intensify inflationary pressures in other countries, and appreciation which bettered the terms of trade of one country would *ipso facto* worsen the terms of trade of its trading partners.

Since advantages to particular countries may be offset by disadvantages to others, the United States position on the problem of appreciation should be formulated on the basis of the principles expressed in the Fund Agreement and other considerations underlying United States foreign financial policy.

4. *Revaluation and the Fund Agreement**

Article IV, Sec. 5(*a*) of the Fund Agreement states: "A member shall not propose a change in the par value of its currency except to correct a fundamental disequilibrium." The Fund may accept a proposed change if it is satisfied that the change is necessary to correct a fundamental disequilibrium, which may be reflected in an undue improvement or deterioration in the international financial position of the country concerned. While the Fund Agreement nowhere defines a fundamental disequilibrium it obviously meant to exclude a change in the balance-of-payments position of a country arising from temporary conditions either in its own economy or in the economies of other countries. Since the objectives of the Fund include the eventual adoption of non-discriminatory currency practices, including currency convertibility and elimination of multiple rates, it would appear that conditions of fundamental equilibrium and disequilibrium are reflected in the member's ability to carry out its obligations under the Fund Agreement.

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*While the Fund may not raise objections to changes of par values which do not exceed 10 percent of the initial par value agreed with the Fund (including the proposed change with any other changes which have previously been made), this 10 percent margin has been exhausted for most Fund members, principally by the exchange rate changes made in September 1949. [Footnote in the source text.]

The Fund Articles do not contemplate changes in par values to the advantage of one of its members, without regard to the welfare of the rest. If members could readily appreciate, or depreciate, their currencies in terms of gold whenever this seems expedient as a means of improving their internal price situation, their trading position, or their terms of trade, there would obviously be little meaning to the objective of exchange stability. Thus it is clear that currency appreciation is entirely incompatible with the Fund agreement if it is undertaken primarily for the purpose of taking maximum advantage of a temporary strong and inelastic demand for a country's export products, without justification in terms of a fundamental disequilibrium. Such an action would be inadmissible under the code of international good monetary behavior which the Fund was set up to promote.

Furthermore, if a country maintains exchange control or quantitative import restrictions, it could scarcely argue that an appreciation (which would intensify the already excessive demand for imports) is necessary to correct a fundamental disequilibrium. Moreover, an improvement in a country's balance-of-payments gives rise to obligations under GATT, and the Fund Agreement to relax, and eventually to eliminate import and exchange restrictions based on balance-of-payments grounds. The Fund could hardly concur in a currency appreciation which would tend to perpetuate the financial difficulties giving rise to the restrictions.

During May 1949, the Council expressed the opinion that "a country which finds it necessary to ration its dollar resources through the application of exchange restrictions on current transactions or quantitative import controls should be considered *prima facie* to be suffering from a fundamental disequilibrium." This position has been consistently maintained by the United States in Fund discussions.

5. *Other Considerations Underlying United States Foreign Financial Policy*

The United States in the post-war period has provided approximately $30 billions in foreign aid, about two-thirds on a grant basis. This aid has been intended primarily to provide balance-of-payments assistance for reconstruction purposes. The aid in recent years has been increasingly on a grant basis.

In the period prior to September, 1949, the United States favored devaluation of the currencies of a number of leading countries as a measure to assist in redressing their dollar balances of payments. Since devaluation, and apparently at least partly as a result thereof, the balance-of-payments position of many of these countries has improved, and in some instances it has been possible to eliminate or reduce grant assistance. Nevertheless, a number of countries still require balance-of-payments assistance on a grant basis. There would

appear to be no justification for appreciation of the currency of a country which is still the recipient of grant aid from the United States for balance-of-payments purposes, since generally an appreciation would result in a deterioration in the country's balance of payments.

6. *Application of Analysis*

The application of this analysis to a few typical cases is outlined in the following paragraphs.

(*a*) A country receiving balance-of-payments assistance, restricting imports, or maintaining exchange restrictions on current account transactions may experience a marked increase in foreign exchange reserves, which it regards as exerting inflationary pressure on its economy. As long as the country receives such assistance or maintains restrictions, its favorable balance-of-payments position cannot be regarded as indicative of a "fundamental disequilibrium". For a country in this position, the increase in reserves could probably be brought to a stop by discontinuing foreign assistance or by abolishing the restrictions. These measures should have priority over currency appreciation.

(*b*) A country may experience a current account surplus (without receipt of extraordinary assistance or use of restrictions) at a time when it is temporarily *unable* to obtain desired imports from abroad. Such inability may be due either to non-availability of goods or to foreign export controls. In such a case, a judgment as to the existence of a "fundamental disequilibrium" is often difficult to make, since the magnitude of demand for the temporarily unavailable imports cannot readily be measured. In this situation, the most critical examination should be given any proposal for appreciation, and acquiescence should depend upon a strong showing that the improved balance-of-payments position is likely to survive the shortage period. Selective temporary measures, such as the suspension of import duties, or measures to sterilize foreign exchange inflow, might be more appropriate in a temporary situation, while trade is being diverted from its normal pattern.

(*c*) A country neither receiving assistance, nor maintaining restrictions on current transactions, may experience a sudden and striking inflow of reserves, resulting largely from capital movements. Such inflow, while usually indicating that the country's financial position is regarded as reasonably secure, may be of a magnitude considerably beyond what could be anticipated on the basis of the country's financial prospects alone. "Safe haven" objectives may be of particular importance. Here again, balance-of-payments developments reflecting such transitory factors are ordinarily not sufficient evidence of "fundamental disequilibrium". Other measures to deal with the "hot money" inflow and its concomitant inflationary pressure should be fully explored in preference to appreciation, the acceptance of which should depend upon a clear showing of a solid improvement in the country's earning position.

If a country has a well-developed banking system, it might, as an alternative to appreciation or to direct controls, be able to sterilize the additions to the money supply caused by an increase in monetary reserves, or it may adopt other anti-inflationary measures. Moreover, under the Fund Articles, while a country is expected to allow the greatest possible freedom in current account transactions, it is not

obligated to permit free capital movements. The Fund may even compel a member to impose restrictions on the outward flow of capital, so as to prevent a misuse of the Fund's resources (Art. VI, Sec. 1(*a*)). The member is, moreover, permitted to impose "such controls as are necessary to regulate international capital movements", provided that the member does not apply these controls in ways which will restrict current account transactions, or delay transfers. Thus, a country can, if it wishes, impose controls on the inward movement of capital, as well as its outward movement, though it may not be compelled by the Fund to control capital inflows.

(*d*) In the case of some industrial countries, inflationary pressures may arise, not from increased reserves, but from the impact of high prices for imported raw materials, and a rising wage-price spiral resulting from budgetary deficits generated by rearmament efforts or otherwise. In this case, it may be argued that currency appreciation, resulting in reduced local currency prices for imports would remove pressure for wage increases, while at the same time the foreign exchange earnings from exports might be increased. As indicated in the earlier discussion, currency appreciation is not appropriate either as an easy solution of domestic inflationary problems or as a means of changing the terms of trade in favor of one country or group of countries in the absence of evidence of fundamental disequilibrium which the appreciation would tend to correct. The remedy would again appear to be adoption of internal anti-inflationary measures, rather than exchange rate appreciation.

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NAC Files, Lot 60 D 137

*Draft of Minutes of Meeting No. 171 of the National Advisory Council, Washington, March 28, 1951*

SECRET

[Here follows list of persons present (22). Mr. Herbert E. Gaston, Export-Import Bank, was Acting Chairman. Representing the Department of State were Assistant Secretary Thorp, Mr. Orville J. McDiarmid, and Mr. J. J. Stenger. Others mentioned in this extract include: C. Dillon Glendinning, NAC Secretary; Mr. Frank A. Southard, United States Executive Director on the International Monetary Fund; Mr. M. S. Szymczak, Board of Governors, Federal Reserve System; and Mr. Harlan Cleveland, Economic Cooperation Administration. Prior agenda items were discussed.]

3. *Appreciation of Currencies*

Mr. Glendinning said that the Staff Committee regarded this problem as a serious one. It was timely because a cable received that morning had indicated the Swedes may be thinking of appreciating their currency. There had also been intimations that other countries such as Australia may be thinking along the same lines. It was conceivable that a number of countries might consider manipulating either a unitary rate or multiple rates to take a short-run advantage of the current

situation. Apart from correcting a balance-of-payments disequilibrium through an exchange adjustment there appeared to be two possible reasons why countries might wish to appreciate their currency, namely as an anti-inflationary device in lieu of internal measures or as a means of manipulating the terms of trade in their favor. The Staff Committee had recommended the four point action contained in NAC Document No. 1117.[1]

Mr. Gaston inquired whether this was a statement of position to be communicated through the Fund and through U.S. Missions abroad. Mr. Glendinning said that the Staff had considered this was a statement in a form which could be transmitted to Embassies and be generally available in the United States Government as well as for the use of the U.S. Executive Director.

Mr. Southard said he had felt from the beginning that it was extremely important for the United States, and the Council in particular, to come to this kind of view. He did not know when countries might come to the Fund with proposals for appreciation. When they did so it would probably be over a weekend when it would be difficult to get an expression of United States views. It might also be difficult to persuade a country not to come in with such a proposal. He thought that if a statement of this kind could be transmitted to Embassies where the problem was becoming a part of official conversations it would be very useful.

Mr. Szymczak suggested it would be desirable to delete the reference to "widespread" appreciation in the first sentence of the proposed action. He thought this weakened the United States position and that our assumption should be there should be no appreciation of currencies. Mr. Thorp suggested that if this were done the word "any" likewise should be deleted from the sentence. He asked, however, whether it would be clearly understood that there might be individual situations where appreciation might be considered on its merits. Mr. Szymczak thought that paragraphs 2, 3, and 4 covered the possible exceptions. It was agreed that the first sentence should be reworded to read "The National Advisory Council does not consider that appreciation of currencies is justifiable at this time, subject to the following:" It was also agreed that numbered paragraphs 2, 3, and 4 would be lettered, *a*, *b*, and *c* to follow this initial statement.

Mr. Cleveland asked what the procedure would be. The statement would go to the Embassies and to the U.S. Executive Director on the Fund. Would they take the initiative in making this statement known to other governments? Mr. Thorp did not think these officials would be instructed to take the initiative but he would expect the Embassies and the ECA Missions would know if this question were being con-

[1] Dated March 27, p. 1583.

sidered by foreign governments and then it would be appropriate for them to take this position. We would not suggest to a country that it should be thinking of this problem, but the statement would be an instruction as to the line the United States officials should follow if the matter were raised. Mr. Southard added that he would not announce this policy in the Fund of his own accord unless someone else raised the general problem for consideration.

Mr. Cleveland said that he had some question as to the desirability of a statement as general as this being used by United States officials all over the world. He would prefer to have them report back when conversations on this topic were initiated so they could receive instructions. Mr. Southard thought we could take the risk of the statement's being blunt and general. If countries were considering appreciation this policy statement would make them rethink their position. Mr. Cleveland said that what he was suggesting was that it would not necessarily be appropriate for representatives abroad, at the first intimation of appreciation of currencies, to put this statement in the form of a note and lay it before the other government. Each case was a special case and he did not think this statement constituted a decision for all cases. Mr. Southard thought that the document admitted all types of exceptions that could be economically justified. Mr. Szymczak added that it was a delicate situation but it was necessary to meet it head-on.

Mr. Gaston asked whether the Council approved the statement as a policy to be communicated to officers of the United States. The recommendation as amended above was adopted unanimously.

*Action.* The following action was taken (Action No. 459):

The National Advisory Council does not consider that appreciation of currencies is justifiable at this time, subject to the following:

(*a*) It strongly opposes currency appreciation being undertaken by any country primarily as a means of gaining advantage from the current strong international demand for its raw materials and other exports, thus exploiting the situation created by the present rearmament program.

(*b*) Appreciation could be considered only if such action were necessary to restore equilibrium in balances of payments. There is a very strong presumption against such justification being established in the case of countries receiving extraordinary grant assistance from the United States for balance-of-payments purposes, and also in the case of countries which are maintaining restrictions on trade or payments for balance-of-payments reasons.

(*c*) In all cases where appreciation may be proposed as an anti-inflationary device, the alternatives should be thoroughly explored to see whether they are not more appropriate than appreciation under current conditions.

NAC Files, Lot 60 D 137

*Memorandum by the NAC Secretary (Glendinning) to the National Advisory Council*

SECRET [WASHINGTON,] April 12, 1951.

NAC Doc. No. 1124

Subject: Agenda for Council Meeting of Tuesday, April 17th

1. The memoranda prepared by the President of the International Bank and the Chairman of the Board of Directors of the Export-Import Bank (NAC Document No. 1107) have raised a number of questions concerning the coordination of the activities of the two banking institutions in this period.[1] There has been prepared, as a basis for Council discussion, NAC Document No. 1122[2] which deals not only with the problems raised in these memoranda but also with the question of coordination of lending programs for development with grant assistance programs being undertaken by this Government. This question inevitably must have an important bearing on the operations of the two banks in this period.

The problem of evolving a coordinated program is particularly important in areas of special political significance. (Attached is a letter from the Deputy Administrator of ECA to the Bureau of the Budget bearing on this problem.)

In these areas a major question is whether primary responsibility for evolving such programs in cooperation with local governments must not be assumed by the U.S. Government rather than by an international institution.

2. With reference to the Foreign Assistance programs for Fiscal Year 1952 the Council adopted the following principle in December 1950 (NAC Action No. 442):

"Where a country is in a position to service a loan and the projects are of the appropriate type, they should be financed by the established lending institutions under their usual terms and conditions. The Executive Branch should not request authority from Congress or appropriations for special categories of loans under this program."

It was felt desirable to review the implications of this action in terms of the legislation which is currently in preparation for presentation to the Congress. More specifically, the question is raised whether the legislative presentation should reserve to the Export-Import Bank all loan operations undertaken by this Government and should deny lending authority to other agencies extending foreign assistance.

The following cases are particularly pertinent to this general policy problem:

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[1] This NAC Document is missing in the Department of State's NAC files.
[2] *Infra.*

*a*) The question which is currently before the Administration of whether the Export-Import Bank or ECA should make a loan to India for wheat if the Congress should insist, contrary to the Administration view, that such assistance should be on a loan rather than a grant basis.

*b*) The possibility that the Congress might shift some assistance now scheduled for grants under the 1952 program to a loan basis.

*c*) The question of whether the present financing by ECA of the production of materials required by the United States should be considered a loan, repayable in kind, within the terms of the above NAC action. (Under present arrangements some agreed portion of the materials so financed is to be made available to the United States without dollar cost to the stockpile program.)

[Attachment]

*The Deputy Administrator of the Economic Cooperation Administration (Bissell) to Mr. George W. Lawson, Jr., of the Bureau of the Budget* [3]

SECRET WASHINGTON, March 30, 1951.

DEAR MR. LAWSON: It has come to my attention that certain of my remarks in the hearing on the Southeast Asia program over which you presided on March 29 have been interpreted as an argument for a policy as to the appropriate use of loans which may be inconsistent with the views set forth by representatives of the State Department, and, indeed, of this agency. I am writing you to forestall any possible misinterpretation.

To restate them briefly, my views about the fiscal year 1952 program are as follows:

(1) In general, I believe that the costs of heavy economic development in countries which have no balance of payments problem should be financed on a loan rather than on a grant basis, provided the conditions set forth in paragraph (5) below as to the administration of loan funds can be met. In making this general statement of policy, certain general exceptions or qualifications should be recognized. I believe it entirely appropriate to use grant funds to finance the planning that must precede major projects. There may well be occasions where the early stages of capital development projects should be financed with grant funds to enable them to be begun promptly. Moreover, it will often be appropriate to finance the repair of war damage on a grant basis even where such activities are carried out as a preliminary phase of a development project.

(2) I would propose that this general principle be applied to the Southeast Asia countries, other than the Philippines, in the following fashion and for the following reasons. All aid to Formosa should be

[3] Lawson was Chief, International Activities Branch, Estimates Division, Bureau of the Budget.

on a grant basis because the economic problem in this case is a true balance of payments problem. There is no scope for loans in the Indo-China program, both because the country is running a massive balance of payments deficit and because the advanced state of internal political disorganization puts a premium of [*on?*] flexibility of speed and on the avoidance of requests for *quid pro quos*.

The same considerations apply, though with somewhat lesser force, in the case of Burma. In the case of both Thailand and Indonesia I believe that aid which is provided for the strengthening of institutions and for the ultimate purpose of improving the distribution of wealth and income should be on a grant basis but that, in accordance with the general principles set forth in paragraph (1) above, all true capital development should be financed on a loan basis, unless overriding political considerations call for a modification of this position.

(3) In speaking of aid for the strengthening of specific institutions (such as a health service or an agricultural service) it is important that we do not fall into the error of making the basic distinction between the furnishing of personal services (technical assistance) and the furnishing of things (supplies and equipment). The success of JCRR's program can be attributed in considerable part to the fact that the institutions being built (including the JCRR structure itself) were able to furnish ECA-financed fertilizer and thus gain rapidly in the esteem of and cooperation from the people and government of Formosa. Similarly, the establishment of a broad agricultural service, even in a country with no balance of payments problem such as Thailand, needs to be set in motion by the catalytic use of grants in the first year or two for some supplies and equipment such as pumps to get an irrigation program under way. What is required is more than simply a single demonstration here and there, but enough technical help and enough equipment to get a broad program really under way. By the same token, it is most important that the use of grant funds in this manner be strictly limited as to time, the main objective of such use being to put the governmental service institution involved on a self-perpetuating basis as soon as possible.

(4) In the case of the Philippines I believe that an exception should be made to the above general principle in the first year of the program. Specifically, I recommend that the program of approximately $50,000,000 be on a grant basis. This recommendation is based on my conviction that it is absolutely essential to get a wide-scale program covering many fields of activity underway with the least possible delay and in a fully coordinated plan. I believe there is a further political consideration which is unique to this country. The proposed program will be undertaken pursuant to the Foster–Quirino agreement negotiated last December, under the terms of which the Philippine Government has already carried through a drastic, painful, and altogether remarkable program of tax and reform legislation. Moreover, there is further legislation of a reform character that we will require during the calendar year. Although, I believe, for these reasons an exception should be made in the Philippine case, I doubt if the provision of $50,000,000 grant aid would, in fact, turn out to violate the general principle stated above in any great degree because it seems probable that most of this sum would be expended for purposes other than economic development or else for the planning and repair phases of development projects. It is our hope, of course, that the total program

for the fiscal year 1952 will turn out to be considerably larger and will include loan funds which it has not yet been possible to program.

(5) The general views set forth in paragraph (1) above, which I also expressed at the hearing referred to above, are valid only on the basis of certain assumptions as to the way in which loan funds are administered.

*First*, loans must be programmed or, to put it another way, loan funds must be used, not independently to finance projects, but to cover the costs of certain elements in overall economic programs. The programs must come first and be developed as such by representatives of the receiving government and the U.S. Government working in cooperation. Only thereafter should a decision be made to finance certain parts of the program on a loan basis.

*Second*, it must be possible to negotiate loans promptly so that long and unnecessary delays will not intervene between agreement between the two governments on a program and the negotiation of one or more specific loan agreements.

*Third*, the receiving country's actual expenditure of loan funds must be supervised in exactly the same way as its expenditure of grant-in-aid funds. This is especially important in Southeast Asia where, almost universally, the governments are new and inexperienced.

*Fourth*, it must be possible to finance with loan funds not only dollar or other foreign exchange costs but also local costs, otherwise the loans will not perform the functions of making up for the shortage of capital funds for public or private investment in the country.

*Fifth*, the value of loans will be greatly reduced unless their proceeds can be spent wherever necessary in the world and not merely in the United States.

*Sixth*, and finally, if the need for grants-in-aid is to be held at a minimum, some provision must be made for loans in situations in which the public lending institutions may not wish to extend credits but in which the economic prospects of the receiving country and the purposes for which aid is being given make the use of loan funds preferable to that of grants. For instance, the internal and external political dangers in a particular country may be so great as to make it a poor risk for a loan yet its economic prospects, provided the political dangers do not materialize, may be sufficiently favorable to justify the use of loans rather than grants for purposes judged to be necessary in the United States interests. I do not have a firm recommendation to make as to the way in which this problem should be solved. It would be unwise, I believe, to give any other agency the power to compel the lending institutions to make loans in amounts or to countries or for purposes unacceptable to those institutions. There are objections, also, to seeking an appropriation of funds to the ECA to finance loans. Possibly the best solution would be one whereby the ECA, in the case of the countries in which it operates, could guarantee loans of this character which would then actually be made by the lending institutions. Whatever the appropriate solution, I am convinced that some solution to this problem must be found if the programs are to be undertaken in Southeast Asia or to have a real chance of success at a minimum cost to the taxpayer.

I cannot emphasize too strongly my conviction of the importance of integrating the loan and grant operations in the manner indicated in paragraph (5) preceding. I believe programs submitted to the Congress should indicate total funds proposed to be made available to each country, including items to be financed with loan funds as well as those for which grant-in-aid appropriations are requested. Likewise, in negotiations with other governments and in the supervision of expenditures each country's program should be treated as a whole. It is only in this way that our government can make full and effective use of all the available resources as means to attain a single set of ends in each country.

I hope this will serve to clarify the view I expressed before you yesterday.

Sincerely yours, RICHARD M. BISSELL, JR.

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NAC Files, Lot 60 D 137

*Memorandum by the NAC Staff Committee to the National Advisory Council*

SECRET [WASHINGTON,] April 12, 1951.

NAC Doc. No. 1122

Subject: Lending Operations of the Export-Import Bank and the International Bank

*Problem*

The memorandum prepared by the President of the International Bank and the Chairman of the Board of Directors of the Export-Import Bank have raised a number of questions relative to the coordination of the lending activities of the International Bank and the Export-Import Bank. This paper is directed primarily toward the relationship of the two Banks but also deals with the question of coordination of grant and loan assistance in this period.[1]

*Long Range Development Financing*

(1) From the time of the founding of the International Bank, it has been the established policy of the NAC that there should be a presumption that members of the International Bank should look first to that institution in developing and financing long-range development programs. This policy rests upon the following broad historical basis. In establishing the International Bank it was anticipated that for the longer term that institution could more appropriately on a global basis *assume the initiative* with foreign governments in assisting in framing their development programs than a purely United

[1] For the Brazilian background to this question, see vol. II, p. 1188.

States institution. This view was also based on the expectation that the International Bank would be able to tap the private capital markets not only of the United States but also of other countries. There would appear to be no reason to change the general presumption for the longer term, but it is important that there be a clear understanding as to what this presumption should imply as to the relations of the two institutions, especially in relation to the problems immediately ahead.

(2) It would clearly not be desirable either for the immediate period ahead or for the longer term for this Government to attempt to delineate fixed geographical areas of operations for the two Banks with reference to development lending; and clearly this Government should not approve a policy of banking monopoly of one or the other institution with respect to any specific area either for the short or long run. There may well be cases in which it will be in the interests of this country that both the International Bank and the Export-Import Bank simultaneously finance development projects in a given country within an agreed frame of reference of development for that country. In such cases, as generally in the planning of the two Banks with respect to development, there should be close and continuous liaison between the staffs and management of the two institutions. Where questions may arise in connection with appraising the financial aspects of programs proposed by either or both of the Banks operating in a given area, the United States views will continue to be coordinated through the NAC and the United States position expressed in the International Bank through the Executive Director.

(3) One financial policy question which may arise in connection with the operations of the two Banks in any given area is of sufficient importance to be specially noted. This is the question of assessment of debt-repaying capacity.

At the outset it must be recognized that there is no mechanical formula for appraising the debt-bearing capacity of a given country. In making such an appraisal, statistical analysis of the current and prospective balance of payments is, of course, important; but any projection of foreign earnings and receipts over an extended period of years must necessarily be subject to a wide margin of error. Furthermore, appraisal of intangibles such as stability of political and financial institutions, experience of financial management, and ability and willingness to marshal resources to repay foreign debt are probably more important in the last analysis than formal statistical analysis. It would thus be a mistake to assume that an appraisal of a country's capacity to repay at any given time could be quantified in any sense other than an illustrative range of figures.

In addition borrowing capacity is in part a function of the uses to which borrowed funds are put and such effects can be judged only in the light of specific projects or programs.

These considerations point to the necessity for keeping a country's borrowing capacity under continuing review in the Banks and in the NAC, rather than establishing a fixed borrowing limit which is presumed to have validity for an extended future period.

Where differing judgments by the Banks as to borrowing capacity would result in limiting the lending activity of either of the two banking institutions in a given area, it would appear essential that no action should be taken by either Bank without review, to the U.S. Executive Director of the International Bank and to the Export-Import Bank.

*Strategic Materials*

In the area of strategic material development it would appear clear that the Export-Import Bank, rather than the International Bank, should act in making loans where the development is being undertaken essentially for United States procurement. Even in this field, however, it is possible that, in certain cases, countries may be unwilling to enter into bilateral arrangements with the United States with respect to the expansion of output and exportation of strategic materials, and would consider International Bank financing more acceptable. The cases in point are of course those countries which may be asserting a policy of neutrality and for this reason might be reluctant to enter into bilateral arrangements on strategic materials, but might be willing to expand output of strategic materials, for export to the *free* world generally. In general these cases are likely to be rare, but it is possible that India, for example, might prove to be a case in point.

*Coordination of Development Lending and Grant Assistance*

One of the major factors which must inevitably have a marked bearing on the area of activities of the two banking institutions in this period is the coordination of loan assistance with grant assistance programs being undertaken by this Government in undeveloped areas of special political importance. The memorandum of the President of the International Bank notes the special responsibilities of the Export-Import Bank with reference to United States activities in areas of particular political significance.

In general, in such areas it will be essential that the loans and grants be extended within the framework of a coordinated program.

In general, in the development of such programs involving coordination of loan and grant assistance, it would appear to be in the United States interest that the broad planning be undertaken within this Government in cooperation with the local governments, rather than by

an international lending institution, especially in the following circumstances:

*a.* Instances in which the United States may wish to link development assistance with other specific objectives of a political, economic, or military character in a given country.

*b.* Instances in which for political reasons the United States might wish the loan to stand as a symbol of direct United States interest in the area in addition to serving its normal economic function.

The fact that primary responsibility must be assumed within this Government for evolving programs in such areas in cooperation with foreign governments should not preclude the International Bank from operations in these areas. In fact, such cooperation will be of great value in achieving both short-run and long-run objectives in the field of economic development.

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NAC Files, Lot 60 D 137

*Draft of Minutes of Meeting No. 172 of the National Advisory Council, Washington, April 17, 1951*

SECRET

[Participants:] Secretary John W. Snyder (Chairman), Treasury Department
Mr. W. Averell Harriman, Special Assistant to the President, Visitor
Mr. Elmer B. Staats, Bureau of the Budget, Visitor
Mr. Eugene R. Black, International Bank, Visitor
Mr. Willard L. Thorp, State Department
Secretary Charles Sawyer, Commerce Department
Mr. William McC. Martin, Jr., Board of Governors, Federal Reserve System
Mr. Herbert E. Gaston, Export–Import Bank
Mr. Hawthorne Arey, Export–Import Bank
Mr. William C. Foster, Economic Cooperation Administration
Mr. Richard M. Bissell, Jr., Economic Cooperation Administration
Mr. Frank A. Southard, Jr., International Monetary Fund
Mr. John S. Hooker, International Bank
Mr. Thomas J. Lynch, Treasury Department
Mr. C. Dillon Glendinning (Secretary)

The Chairman opened the discussion by indicating that there were three interrelated questions for discussion, namely: (1) relation of

operations of the Export–Import Bank and the International Bank; (2) coordination of loan and grant assistance; and (3) U.S. Government lending for foreign assistance under the fiscal 1952 program.

Mr. Glendinning noted that no formal actions had been prepared by the Staff for review in the Council. He summarized Staff discussion of the three questions as follows:

1. *Relation of Operations of the Export–Import Bank and the International Bank.*—Since the establishment of the International Bank it had been the NAC view that there was a presumption that members of that institution should look first to it in planning and financing their development. The Staff had felt that for the longer term this thesis might stand but that it was necessary to have a clear understanding as to the implications of the presumption for the longer term and particularly to note its qualifications with respect to the immediate period ahead. The Staff felt that it would not be desirable, either for the immediate period ahead or for the longer term, for this Government to attempt to delineate fixed geographical areas of operations for the two banks or to approve a policy of banking monopoly of one or the other institution with respect to any specific area.

With reference to the financial policy questions which might arise in areas in which the two banks were operating simultaneously, U.S. views should be expressed directly to the Export–Import Bank through the Council and to the International Bank through the U.S. Executive Director. Perhaps the most important question in this context which might arise would be differing judgments by the two banks as to the capacity to repay of particular countries.

With reference to the immediate period ahead, it was the general view of the Staff that in the field of strategic material development the Export–Import Bank rather than the International Bank should assume primary responsibility, especially where materials were being developed for U.S. procurement.

A further important factor which would inevitably affect the area of activities of the two banks in the immediate period ahead was the problem of coordinating grant assistance being given by this Government with loan assistance, especially in areas of particular political significance such as Southeast Asia and the Middle East. In general it was felt in the Staff that in special cases where the U.S. would be linking development assistance with other specific objectives of a political, economic and in some cases military character, the planning of such programs would probably have to be worked out within this Government rather than by an international institution. The fact that primary responsibility would have to be assumed within this Government should not, however, preclude the International Bank from operations in such areas in supplementing or in cooperating with programs undertaken unilaterally by this country.

2. *Coordination of Loan and Grant Assistance.*—It was noted that this problem had a marked bearing, as previously indicated, upon the relative areas of operation of the two lending institutions in this period. It was suggested that in general, especially in areas of particular political significance, it would be essential that the loans and grants be extended within the framework of a coordinated program and that there be continuous and close cooperation between the lending

agencies and the granting agencies. It was also suggested that it would probably be necessary in the presentation of the program to the Congress to indicate in greater detail a more specific lending program than had hitherto been the case.

3. *Lending under the Foreign Assistance Program for Fiscal 1952.*—It was noted that the Council in December had taken the following action: "Where a country is in a position to service a loan and the projects are of the appropriate type, they should be financed by the established lending institutions under their usual terms and conditions. The Executive Branch should not request authority from Congress or appropriations for special categories of loans under this program."

It was suggested that the Council might wish to review this action at this time specifically in terms of the possibility that the Congress might desire to place some funds now scheduled on a grant basis to a loan basis and also with reference to implication of this action for advances by the ECA for strategic materials.

The Chairman stated that he wanted to make clear to Mr. Black that the considerations as to the role of the International Bank were directed toward instructions to be given to the U.S. Executive Director and that there was no thought that the Council should impinge on the independence of the Bank as an international institution.

Mr. Gaston indicated that he was in general agreement with the analysis developed in the Staff paper (NAC Document No. 1122).[1] He said that he thought there was ample room for the operations of both of the banking institutions in this period. He stated that the Staff paper had not mentioned two areas in which the Export–Import Bank might operate which were barred to the International Bank, namely, exporter credits and loans without government guaranty.

Mr. Black then read a prepared statement to the Council on his views on the problem (NAC Document No. 1125—copy attached).[2] At the close of his prepared statement Mr. Black emphasized that he thought the basic issue being discussed by the Council was whether there was an area for operation of an international lending institution in this period. Mr. Black said he recognized the problems in areas of special political importance which were mentioned in the Staff paper, the Philippines, for example, and suggested that the International Bank might appropriately leave those areas to U.S. programs not involving the Bank.

The Chairman asked if any of the members wished to question Mr. Black on the statement which he had just presented.

Mr. Thorp asked Mr. Black why he thought the International Bank should stay out of the Philippines. Mr. Black said he understood the Philippine assistance program would be all grants. On this point he was advised that the Philippine program would involve a substantial

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[1] *Supra.*
[2] *Infra.*

amount of loans, more so than grants over the 5-year period. Mr. Thorp commented that he thought the International Bank might make a major contribution to development in the Philippines.

Mr. Martin commented that he could not accept the statement of the issue as Mr. Black had presented it, namely that we were considering whether there was a role for the International Bank in this period. He said our problem was a product of the times. It was his view that there was no formula by which we could clearly resolve the types of loans and areas of operations of the two banking institutions. Rather in this difficult period we must adopt a flexible approach and decide the major questions on an *ad hoc* basis. He said he felt it most important for the managements of the two Banks to keep in close contact and for the International Bank to be kept fully apprised of U.S. plans for unilateral assistance in areas of particular political importance in order that the International Bank and the Export–Import Bank might make their maximum contributions. He indicated that he thought all the Staff paper really implied was the necessity of adopting our policies and practices to changing circumstances.

Mr. Gaston also indicated that he thought that Mr. Black had not stated the central problem correctly. He suggested that Mr. Black's statement implied that this Government was endeavoring to plan development on a global basis. He indicated that this was not the case, and that the United States had no global development program. What the Staff had pointed up were the problems to be dealt with in a number of key countries. These were spot conditions and comments with respect to them could not be generalized. Even in these areas he thought there was an important contribution for the International Bank to make.

Mr. Foster indicated general agreement with the outline in the Staff paper and stressed that he felt that there was an important role for grants and for the operations of both lending institutions in facilitating development in this period. He suggested that our current objective was to enable the backward areas to develop their own resources and to offer prospect to their peoples of a rising standard of living in an expanding economy within the free world.

He noted that the problems of development varied considerably from area to area. In some areas, especially Southeast Asia, it was necessary to provide a considerable degree of U.S. leadership. He said that in the short-run in such areas the programs undertaken would have to have a heavy unilateral emphasis, but over the longer turn this would not necessarily be the case. He also indicated that the areas in which the United States would have to assume such direct leadership were limited and in many cases the International Bank could and should be expected to evolve longer-range development programs without any direct element of U.S. leadership.

Mr. Foster referred to the cooperation between ECA and the International Bank in Turkey as evidence of the type of joint activity which would contribute to our objectives.

Secretary Sawyer said he was impressed by a suggestion made by Mr. Black, that there might be competition in rendering certain types of assistance, that is between the two Banks on loans, and also between loan and grant assistance. He asked if there were concrete cases which could be cited which would illustrate this problem. Mr. Black said many governments were uncertain in their development planning whether to go to the ECA, the Export–Import Bank, or the International Bank.

With respect to loan assistance, Mr. Thorp said some cases in point were those of India, Pakistan, and Australia, where these governments had approached the U.S. as to whether they should inquire of the International Bank or Export–Import Bank as to their development needs.

Mr. Sawyer asked what happened in the case of the three countries. Mr. Gaston stated that all three of those countries had applied to the International Bank but that Pakistan had discussed its problem with the Export–Import Bank and requested the right to come back for later discussion.

The Chairman asked Mr. Harriman if he wished to comment on this general problem. Mr. Harriman said that he found himself in general agreement with the comments made by Mr. Martin, namely, on the need for flexibility and for dealing with many of the problems of this period on an *ad hoc* basis. He indicated that he felt that all the agencies present had the same broad objectives in mind and that the problems involved working out practical ways of channeling cooperative effort.

The Chairman summarized the discussion by stating that there appeared to be general agreement that we could not draw fine lines of demarcation of activities of the two Banks in this period. He stressed the importance of continued cooperative effort. He also indicated again that our views on the International Bank with reference to policy were those to be given to the U.S. Executive Director.

The Chairman thanked Mr. Black for the presentation of his views and asked that his statement be made available for the Council members so that they might study it as a basis for further discussion of this problem. Mr. Black then left the meeting.

The Chairman noted that the discussion had already touched upon the problem of coordination of loan and grant assistance and asked if there were any further comments on this matter.

The Council then discussed briefly the question of the programming of loans. On this subject, Mr. Thorp said he thought that in the presentation of the 1952 program to the Congress, it might be necessary to do no more than indicate our views as to the possible borrowing

capacity of certain of the individual countries that might be assisted in development, and indicated that we need not give a detailed program country-by-country. Mr. Gaston noted that all the figures to be used in the presentation of the several programs would be illustrative. Mr. Foster agreed that such country-by-country estimates as would be presented on the Hill would be illustrative in character. He stated that he thought the most important problem in connection with the coordination of loans and grants was to set up appropriate channels for coordination. In this connection he referred to the current discussions between the Export–Import Bank and ECA with respect to working out techniques of coordination. Mr. Thorp also expressed the view that he thought this problem, which was one primarily for the operating agencies, was being handled satisfactorily.

The Chairman then referred to the NAC Action on lending, with respect to the fiscal 1952 program, as follows:

"Where a country is in a position to service a loan and the projects are of the appropriate type, they should be financed by the established lending institutions under their usual terms and conditions. The Executive Branch should not request authority from Congress or appropriations for special categories of loans under this program."

The Chairman asked whether there were any comments on this general policy statement. Mr. Foster stated that as a statement of general policy he wished to raise no question except in the field of strategic and critical materials. He then referred to the possibility of establishing guarantee arrangements with the Export–Import Bank on loans which might be desirable but which might not meet the Export–Import Bank's normal standards of risk.

The Chairman inquired of Mr. Foster whether the ECA program for strategic materials currently involved advances with repayment in strategic materials for short-term deliveries or long-term deliveries. He said he understood that ECA was now shifting from long-term to short-term contracts. Mr. Foster replied in the affirmative that ECA was now shifting to short-term arrangements. He indicated that the periods in which they were thinking were roughly 2 to 5 years.

Mr. Gaston stated that the Export–Import Bank was now making three types of strategic materials loans:

(A) Loans by the Export–Import Bank out of its own funds on usual terms and conditions.

(B) Loans for strategic materials assistance associated with specific stockpile purchase agreements which provide for repayment to the Bank out of the proceeds of the stockpile purchases.

(C) Loans under guarantee by the operating agency.

Mr. Thorp said he thought that the Council action of December 1950 was an appropriate general rule but that there might be excep-

tions in the field of strategic materials which the Council could appropriately examine.

Mr. Arey suggested that the number of cases involving financing of strategic materials which the Bank could not finance with reasonable assurance of repayment would be limited largely to instances of initial exploration and very early stages of development.

Mr. Staats said that the Bureau of the Budget had been surveying with the agencies interested in the strategic material field the adequacy of existing legislation for financing the development of such materials. He indicated that there appeared to be a number of limitations in the Defense Production Act in that the authority under the Act did not provide for governmental loans and possibly for loans for ancillary facilities such as transport and power. He suggested that it would be helpful if the Council would explore this problem and make appropriate recommendations on the financial arrangements.

It was agreed that the Council would explore this problem further and the Staff was directed to prepare a paper for the next meeting of the Council.

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NAC Files, Lot 60 D 137

*Statement on Development Lending Presented by the President of the International Bank for Reconstruction and Development (Black) to the National Advisory Council at the Council Meeting, Washington, April 17, 1951*

SECRET

NAC Doc. No. 1125

As I read them, the basic principle underlying both Mr. Bissell's letter [1] and the memorandum of the NAC Staff Committee,[2] so far as they affect the International Bank, is that the United States should take the initiative in drawing up development programs in collaboration with the underdeveloped countries and that the resources of the International Bank, like the resources of the Export–Import Bank and any resources available to ECA should be utilized to finance parts of that program. In my judgment this proposal raises a basic issue of United States policy and goes to the heart of the question of whether there is any real role for the International Bank to play.

There are of course some countries where the United States should and must take the initiative both in formulating development programs and in financing those programs. I have in mind such countries as the Philippines and Formosa, as well as nonmember countries.

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[1] Dated March 30, p. 1593.
[2] Dated April 12, p. 1596.

Where the United States is operating in this fashion the International Bank should, in my judgment, stay completely out of the picture.

As applied to the vast majority of the underdeveloped countries, the proposal that the United States do the development programming and coordinate its financing makes the International Bank in substance simply an instrument of United States policy and deprives it of any real reason for existence.

I repeat with all sincerity that I think these proposals raise for the United States an issue of basic policy, namely whether the United States is itself to undertake the major development program or whether this job is to be undertaken primarily through international channels.

I think it is significant that most of those who have studied this subject objectively have come to the conclusion that, from the standpoint of the United States itself, it would be better that the task be undertaken internationally rather than nationally. This was the view strongly expressed by the Gordon Gray Committee; and it was also the opinion expressed by the Rockefeller group, The International Development Advisory Board. It is also not without significance that every time the underdeveloped countries themselves have had a chance to voice a preference—in the various United Nations agencies and in the Board of the Bank itself—they have consistently expressed a preference for international administration.

I have tried to state in my memorandum of January 15, 1951 [3] the reasons why, in my judgment, it is far better for the United States to operate through international agencies rather than bilaterally. Briefly summarized, these reasons are:

First. An international agency is in a better position than the United States Government to impose conditions on external assistance. Development can't be exported. It has to be brought about primarily by domestic action. I am convinced that the International Bank can more effectively induce such domestic action than can any national government.

Second. National administration will inevitably be subject to political influences. I think it is clear that the International Bank is in a better position to resist such political pressures than any national government.

Third. National administration is often proposed primarily on the assumption that by doing the job itself the United States Government will gain political good will that it would not gain through the International Bank. In my judgment this assumption is simply not borne out by experience. I think, to the contrary, that if the United States undertakes to become the major development agency, it is likely to gain considerable ill will because of comparisons of aid given to various countries and because of charges of intervention or exploitation.

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[3] Not printed.

I know that there has been considerable criticism of the International Bank by those who think that it moves too slowly. I don't deny that there was some justification for this criticism during the earlier days of the Bank when we were trying to find our way. I think those who are familiar with what the Bank has been doing more recently know that this criticism is no longer justified. Development, in the nature of things, cannot be undertaken at the same kind of pace as reconstruction. We in the Bank have been continuously accelerating the pace of our activities and if the issue we are now discussing once becomes clarified and we are given a definite responsibility we certainly intend so to organize our activities that we can actively and promptly discharge that responsibility.

So that there may be no misinterpretation, I don't want to give the impression that there is a right and wrong way to undertake the development task which is applicable in every country or that any one agency should have a monopoly.

In most of the underdeveloped countries there will be roles to play for several agencies, national and international, and these roles may vary under different circumstances. But you can't expect the International Bank to act as an international agency and yet have no real part in formulating the programs to be financed. The basic question which the Council has to decide is whether the United States Government will regard the International Bank as simply a supplementary source for financing to support United States policies or whether it will regard the Bank as the primary agency for development financing. Unless the policy is clarified it is extremely difficult for the Bank to operate.

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NAC Files, Lot 60 D 137

*Memorandum by the NAC Staff Committee to the National Advisory Council*

SECRET [WASHINGTON,] April 18, 1951.

NAC Doc. No. 1126

Subject: U.S. Loan Assistance and Purchases in Third Countries

*Problem*

In connection with the administration of the foreign assistance program for fiscal 1952 it will be necessary for the Administration to have a clear position with respect to the extent to which loan and grant funds may be available for expenditure in areas other than the United States. This problem is particularly important at the present time in view of the supply problems both here and abroad. This paper is directed exclusively to the question of the use of loan funds in other areas, more particularly, Export–Import Bank funds. This paper is

also predicated on the assumption that, in the case of loans for expenditure in third countries, as in the case of all loans made by the Export–Import Bank, the borrowing country is making appropriate use of its resources.

*Discussion*

The relation of United States loan assistance to procurement in this country has been reviewed in the National Advisory Council on a number of occasions. In 1948 the Council approved the following principle with respect to purchases in third countries: "In those cases where the purposes of Government lending can best be served by providing funds for purchases in countries other than the United States, arrangements are made to permit the proceeds of loans to be so spent." This statement was intended to serve as a guide to executive agencies in further development of foreign lending programs. The statement has not been made public.

The concept of a loan that would limit a borrower in purchasing the most useful goods in the cheapest market clearly cuts across the broad philosophy of this Government with regard to the objectives of multilateral and non-discriminatory trade. Lending in this sense means in fact that the currencies involved in the loans are not convertible.

The Export–Import Bank Act of 1945, as amended, provides: "The objects and purposes of the Bank shall be to aid in financing and to facilitate exports and imports and the exchange of commodities between the United States or any of its Territories or insular possessions and any foreign country or the agencies or nationals thereof." In the light of this statement, the Export–Import Bank has considered that Congress intended that the relationship between its loans and U.S. foreign trade should be more or less direct. At the same time the Bank has declined to use its financing authority to force U.S. exports. It has rejected credit applications which would have financed U.S. exports when the goods to be so financed could be obtained more economically abroad and the means of financing them were readily available. The Export–Import Bank does not consider itself bound either as a matter of law or as a matter of policy to make loans exclusively for purchases in the United States, but it has been reluctant except in exceptional cases to use its funds to finance non-United States exports.

The general policy statement (revised August 1, 1947) of the Export–Import Bank, which has been made public, states: "As a general rule, the Bank extends credit only to finance purchases of materials and equipment produced or manufactured in the United States and of technical services of American firms and individuals, as distinguished from outlays for goods, labor, and services in the borrowing country or purchases in third countries." However, the Bank has been prepared to recognize exceptions to this "general rule."

*Conclusion*

In connection with the development programs being undertaken by this Government in this period it will be important to have a considerable degree of flexibility in obtaining supplies in other areas. As the general guide to the minimum degree of flexibility desired, it is suggested that funds be available for expenditure in other areas under the following conditions, among others:

(1) Where procurement can be made at a substantially lower cost for the project; or
(2) Where goods are not available for export from this country or where purchase abroad would clearly be preferable in any event due to supply conditions here; or
(3) Where procurement abroad can be made on a substantially more advantageous delivery schedule and will materially expedite the development projects undertaken.

The Export–Import Bank has advised the Staff Committee that no amendment of the Export–Import Bank Act is necessary in order to carry out this policy.

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NAC Files, Lot 60 D 137

*Memorandum by the NAC Staff Committee to the National Advisory Council*

SECRET [WASHINGTON,] April 18, 1951.

NAC Doc. No. 1127

Subject: Financing Foreign Procurement and Development of Strategic and Critical Materials [1]

1. *The Problem*

The division of authority among several agencies for foreign procurement and development of strategic and critical materials has presented the likelihood of a variety of loan programs with diversity of financial policy in this field, and suggests the desirability of a reexamination of the role of various agencies in this field with a view to the proper coordination of the international financial policies of the United States. It is likely that foreign procurement of such materials will constitute an increasingly significant part of the defense program. Furthermore, experience indicates that the search for additional sources of strategic and critical materials often requires expansion or development of supporting services such as transportation, power, housing, etc. The situations range from simple procurement contracts

[1] A cover sheet by the NAC Secretary noted that this paper had been prepared "for initial Council discussion," but had not been cleared with all interested agencies because NAC discussion was scheduled for the April 20 meeting.

to comprehensive development programs. Presentation of the financial problems will require some description of the statutory and administrative arrangements now prevailing in the field.

2. *Statutory Authority*

Present activities in this field stem from at least four separate major statutory sources, and a variety of more specialized authorizations:

(*a*) The stockpile program administered by the General Services Administration under general programs developed by the Munitions Board,* is essentially directed toward the accumulation in the national stockpile of specified quantities of particular materials as a reserve for war. Authority to make loans in this program stems from Section 305 of the Federal Property and Administrative Services Act of 1949, which authorizes the GSA to make advance payments "only upon adequate security".

(*b*) Title III of Defense Production Act, "Expansion of Productive Capacity and Supply", available for foreign as well as domestic operations, provides for guaranteeing by procurement agencies of loans made by public or private financing institutions (Section 301),† for direct Government loans to private business enterprises (Section 302), and for "encouragement of exploration, development, and mining of critical and strategic minerals and metals" (Section 303). Power to guarantee domestic loans under Section 301 has been granted to the Federal Reserve Banks under the supervision of the Federal Reserve Board (V-Loan Program), and authority to make direct domestic loans has been given the RFC, both under the general supervision of ODM. There has been no specific delegation of authority under Sections 301–303 in the foreign field, but they are encompassed by the general authority delegated to ODM.

(*c*) The ECA is authorized under its legislation to promote the production of materials of which the United States is deficient in participating countries, and for this purpose may use the 5 percent counterpart funds.

(*d*) The general authority of the Export–Import Bank to make loans to promote United States imports makes its funds available for financing the procurement and development of strategic and critical materials.

(*e*) In addition to these general authorizations, there are a variety of statutory sources of special authority for foreign credits in this field, such as the authority of the RFC in promoting Western Hemisphere abaca (Public Law 683, 81st Congress), the authority of the Atomic Energy Commission to make advance payments, the authority of the CCC to finance various agricultural operations, etc.

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*"A proposal to transfer this responsibility to the Defense Production Administration is under consideration in the Bureau of the Budget. [Footnote in the source text.]

†The Bureau of the Budget has an amendment under consideration which would substitute a certification procedure (allocation of defense funds, for use under certificates of ODM) for the guarantee procedure with public financial institutions. [Footnote in the source text.]

3. *Discussion*

(*a*) *Requirements:* The determination of requirements is at present assigned to the Munitions Board with respect to the stockpile program, and to the Departments of the Interior, Commerce and Agriculture under the direction of ODM, with respect to currently required materials. Some discussions have been under way within the Government to clarify the allocation of functions in determining requirements from foreign sources, and in arranging for foreign procurement. The activities of these agencies are supplemented abroad by GSA representatives and by the regular foreign missions (particularly the specialized attachés in the fields of interest of Commerce, Interior and Agriculture). The ECA is planning a sharp expansion of activity in this field, primarily in the form of loans repayable in strategic materials, to be turned over to GSA for the stockpile.

(*b*) *Lending Activities:* As noted above, GSA can make loans in the form of advance payments on procurement contracts. The ODM authority cited above has probably not been used as yet to extend foreign credits, and has been limited by a recent decision in the Administration that the statutory authority for direct loans does not extend either to Government-to-Government loans or to the development of ancillary services such as transportation, power, etc. The Export–Import Bank has made and is making development loans for strategic materials projects, typically tied in with GSA procurement contracts. The Defense Production Act authority to guarantee public lending institutions is available, but has not been used in favor of Export–Import Bank. The pattern of ECA financing now emerging is based essentially upon loans in dollars and in local currencies (derived from 5 percent counterpart) repayable by the delivery of strategic materials to the stockpile, such deliveries to be credited on the loan at market prices at the time of delivery.

(*c*) *Available Credit Techniques:* The various statutory authorizations overlap, on the one hand, and contain limitations on kinds of financing, on the other hand. Thus, GSA, which can only lend by making advance payments is hardly in a position to finance transportation or other ancillary facilities where the ownership of the ancillary facilities is different from the ownership from the enterprise selling the strategic materials. The ODM authority to make foreign loans is in aid of direct procurement operations, and apparently cannot be used to finance ancillary development under its present legislative authority. GSA's objective is directed toward the accumulating of stockpile, while ODM's is toward supplying current industry requirements. The ECA program is limited to activities in participating countries, and to materials for the stockpile, rather than for current use; on the other hand, ECA alone has access to 5 percent counterpart funds without debit to its appropriations. The Export–Import Bank has the

widest authority under the law, and is in the best position to carry out direct banking functions such as making payments against shipments of capital equipment, etc., and to service long term loans. However, serious questions would arise whenever a prospective loan is not "bankable" in terms of the Export–Import Bank's accepted standards.

4. *Alternative Lending Arrangements*

In broad outline, the following would appear to be the principal alternative arrangements for extending credit for strategic materials. However, it should be borne in mind that the financial techniques used might reasonably vary depending on the allocation of administrative responsibility for determining requirements and carrying out foreign operations in this field.

(1) The Export–Import Bank might act as exclusive loan agents for whatever agencies are administratively responsible for the development or procurement of strategic materials programs in extending foreign credits to finance the production, transportation and storage of strategic materials, utilizing funds available to such agencies, [such credits to be extended on the certification of the programming agency] [2] [such credits to be subject to review and concurrency by the Bank], in a manner similar to the domestic operations of the RFC under Section 302 of the Defense Production Act.

(2) The Export–Import Bank might act as the exclusive loan agency for the procurement and development of foreign strategic materials, using its own funds for such purposes, but having recourse to guarantees of the type provided for in Section 301 of the Defense Production Act, where risks appear to be greater than those which the Export–Import Bank ordinarily accepts. The Bank would undertake to extend the credit in every case when the programming agency provides a guarantee.

(3) The ECA, GSA, and such other agencies as may make advance payments for the foreign production of strategic materials (including the production of all types of goods and services which may be required to bring such materials to American industry or the national stockpile) should restrict their credit activities to advances repayable in specific commodities in a [relatively] short period of time, [say 6–9 months] [say 3–5 years]. The Export–Import Bank would act as the exclusive lending agency for all other foreign loans.

(4) The present arrangement might be continued under which ECA, GSA, the Export–Import Bank, and such other agencies as may be administratively designated in this field would have authority to extend foreign credits, in a variety of ways, for the procurement of strategic materials and for the development of production and of necessary ancillary services.

Under any of these alternatives, it would appear appropriate that the financial terms and conditions be coordinated in the National Advisory Council.

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[2] All brackets in this document are in the source text.

NAC Files, Lot 60 D 137

*Memorandum by Mr. Frank A. Southard, United States Executive Director of the International Monetary Fund, to the Secretary of the National Advisory Council (Glendinning)*[1]

CONFIDENTIAL [WASHINGTON,] April 19, 1951.

NAC Doc. No. 1128

Subject: Use of the Fund's Resources

1. In a memorandum addressed to you on November 9, 1950,* I summarized a proposal by Mr. Gutt as follows:[2] In the light of the improved payments situation, the Fund can sensibly approach various members "to discuss with them what their plans are in respect of stabilizing their currencies, relaxing or removing their exchange restrictions, simplifying or unifying their multiple rates." If the Fund finds that a country is ready to take serious steps toward the implementation of the Fund's policy, but hesitates because of the risks entailed, the Fund "should tell them that we are quite ready to help them to overcome those risks, by letting them rely on the resources of the Fund." He emphasized that mere "steps in the right direction" would not be enough; the steps must be serious and effective.

2. In that memorandum I also stated that Mr. Hooker and I believed that the Gutt proposal may be acceptable, provided it is carried out with caution and rigor. We would insist that the right of last-minute challenge be fully maintained, but might agree that in practice this right need only be exercised in cases where we felt there was good reason for opposing the drawing. We were inclined to believe that the Fund would have to review at frequent intervals the developing situations of those members whose stabilization programs had been approved by the Fund. This might help to avoid those difficult situations in which, because of a country's situation "turning sour", we might feel obliged to vote no on a subsequent request for a drawing.

3. At a meeting on December 5, 1950, I presented the Gutt proposal to the National Advisory Council. It appeared to be the sense of that meeting that the time might not be opportune for the Fund to proceed along the lines Mr. Gutt had suggested.

4. In my opinion, the U.S. Executive Director should support the Gutt proposal, for the following reasons:

(*a*) It is a logical proposal, since it goes no further than holding out the prospect for use of the Fund's resources in connection with an

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[1] This memorandum was actually dated April 17; it received the April 19 date when it became an NAC document.

*NAC Staff Document No. 473. [Footnote in the source text. NAC Staff Doc. 473 is not printed, but see *Foreign Relations*, 1950, vol. I, p. 824, minutes of Meeting No. 167 of the National Advisory Council, December 5, 1950, at which this document was discussed.]

[2] Camille Gutt was Managing Director, International Monetary Fund.

acceptable program of stabilization. The right of the Fund Board to review requests for drawings at the time they are made would continue. Moreover, repurchase arrangements could be insisted upon where reserves are held in sterling or other inconvertible currencies, or where convertible reserves are smaller than the country's quota in the Fund.

(*b*) Actual drawings under the Gutt proposal should be small under present conditions. Most members will be unlikely to resort to Fund drawings. In addition, the Fund Board (and the U.S.) could give overriding importance to defense considerations in evaluating all proposed adjustments in exchange rates and exchange systems. Finally, as long as the ERP continues, the so-called ERP decision in the Fund could be held unchanged, which would make very unlikely any European efforts to draw.

(*c*) Possible drawings of $50 million to $100 million per year might seem unwelcome, taken by themselves, since they might assist countries to maintain imports at a time of scarcity. Hence, at first thought it might appear attractive to turn down the Gutt proposal for fear it might, even though in very small degree, stimulate use of the resources of the Fund. However, the Gutt proposal is offered on a kind of "trial" basis; that is, the Fund (and the National Advisory Council) would have an ample opportunity to review any programs (whether involving exchange rate unification or general stabilization) before any opportunity would be given to draw on the Fund. If the U.S. is going to continue financial support of the EPU, of certain balance of payments deficits, and of economic development programs, there would probably be resentment if we endeavored to argue that the small and occasional drawings on the Fund envisaged by the Gutt proposal would be undesirable.

(*d*) The question of use of the Fund's resources is certain to be raised again at the next meeting of the Board of Governors. If it can be alleged that U.S. opposition has been responsible for lack of progress in reformulation of Fund policy, the U.S. Governor and his delegation may be confronted with sharp criticism. Modest as the procedure proposed by Mr. Gutt may appear, it can properly be offered by us and others at the Annual Meeting as evidence of a satisfactory *modus operandi*.

5. The Executive Board of the Fund is likely within the next two or three weeks to take this question up again. I should appreciate having the advice of the National Advisory Council before that time.[3]

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[3] No record has been found in the NAC files of any National Advisory Council consideration of this matter in April or May. However, in May 1951 the International Monetary Fund in effect adopted the Gutt proposal.

NAC Files, Lot 60 D 137

*Draft of Minutes of Meeting No. 173 of the National Advisory Council, Washington, April 20, 1951*

SECRET

[Participants:] Secretary John W. Snyder (Chairman), Treasury Department
Mr. Elmer B. Staats, Bureau of the Budget, Visitor
Mr. Willard L. Thorp, State Department
Secretary Charles Sawyer, Commerce Department
Mr. William McC. Martin, Jr., Board of Governors, Federal Reserve System
Mr. Herbert E. Gaston, Export–Import Bank
Mr. Hawthorne Arey, Export–Import Bank
Mr. William C. Foster, Economic Cooperation Administration
Mr. Richard M. Bissell, Jr., Economic Cooperation Administration
Mr. Frank A. Southard, Jr., International Monetary Fund
Mr. John S. Hooker, International Bank
Mr. Elting Arnold, Treasury Department
Mr. C. Dillon Glendinning (Secretary)

1. *Foreign Lending*

The Chairman opened the discussion by stating the Council might first continue its consideration of the interrelated questions of the operations of the Export–Import Bank and the International Bank and of coordination of loan and grant assistance.

Mr. Glendinning noted that Mr. Black's statement which had been delivered orally at the last meeting had been distributed in written form for the information of the Council members (NAC Document No. 1125).[1] He inquired if the Council, after reviewing Mr. Black's statement, desired to modify the broad outline of views developed in the paper prepared by the Staff on the question of coordination of activities of the Export–Import Bank and the International Bank.

Mr. Bissell said that he wanted to be perfectly clear on one point, namely, whether in the areas the U.S. was developing major programs we would expect to give the International Bank the first chance at undertaking loan projects planned under our auspices. The Chairman stated that his understanding was that we would not follow such a rule. He added, however, that we would want to keep the International Bank currently informed of our programs and to obtain as

[1] *Ante*, p. 1605.

active cooperation of the International Bank as possible in facilitating such programs.

Without further discussion the Council approved NAC Document No. 1122 [2] as a basis of U.S. policy with respect to the lending activities of the International Bank and the Export–Import Bank.

Mr. Glendinning noted that the Staff had prepared a paper on the use of loan funds for expenditure in areas other than the U.S. as requested by the Council at its last meeting (NAC Document No. 1126).[3] He summarized the discussion in the Staff paper and outlined the conclusions of the paper.

Representatives of the Export–Import Bank and the Economic Cooperation Administration indicated their approval of the conclusions as a basis for operations in the financing of general development and strategic materials. Following this discussion the Council approved the conclusions of the paper.

The Chairman stated that the next subject for consideration was a review of NAC Action No. 442 [4] of last December with respect to foreign lending, especially the financing of strategic material development.

Mr. Glendinning said that the Staff, following the instructions of the Council at the last meeting, had prepared a brief paper which attempted to outline the present authority with respect to the financing of strategic and critical materials and also to outline the possible alternatives with respect to financing development and procurement of such materials (NAC Document No. 1127).[5] He noted that the paper had been prepared on short notice and that it had not been possible to canvass the ideas of all the agencies with operating responsibilities in this field.

Mr. Glendinning summarized existing statutory authority with respect to financing of strategic and critical materials and outlined briefly the alternatives for extending credit for such materials as follows:

(1) The Export–Import Bank might act as exclusive loan agent for whatever agencies were administratively responsible for development or procurement of strategic materials, utilizing funds available to such agencies in a manner similar to the domestic operations of the RFC under the Defense Production Act.

(2) The Export–Import Bank might act as exclusive loan agency for the procurement and development of foreign strategic materials using its own funds but having recourse to guarantees by the operating agency or agencies where the risks appeared to be greater than

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[2] *Ante*, p. 1596.
[3] *Ante*, p. 1607.
[4] See draft minutes of NAC Meeting No. 168, December 26, 1950, p. 1580.
[5] *Ante*, p. 1609.

those which the Export–Import Bank might ordinarily accept. In all cases the Bank would undertake to extend the credits where the programming agency would provide such a guarantee.

(3) The Export–Import Bank would act as exclusive lending agency for all foreign loans except short-term advances against repayment in strategic materials which might be handled by the operating agency or agencies. (It was noted that such arrangements might be made in conjunction with any of the other alternatives.)

(4) Present arrangements might be continued under which ECA, GSA, Export–Import Bank and other agencies might use existing authority to extend foreign credits in a variety of ways for the procurement of materials and their development.

Under any of these alternatives it would appear appropriate that the financial terms and conditions be coordinated through the Council.

Mr. Foster said that thinking of the ECA was generally along the lines indicated in alternative (2), namely that the Export–Import Bank would act as exclusive loan agency using its own funds but having recourse to a guarantee by the operating agency or agencies where the risks of repayment appeared to be greater than the Bank could accept under its statutory authority. The Bank would be expected to undertake such credits with a guarantee upon certification by the programming agencies.

Mr. Bissell said that he thought one exception to this general proposition should be noted, namely, with respect to the use of 5% counterpart funds for the financing of the development and acquisition of strategic materials. He said that 5% counterpart funds would be of declining importance, but thought that such funds should be available for use on a loan basis for the development of materials. Mr. Bissell also noted that in some cases involving the use of 5% counterpart funds some dollar financing might be required which could be handled by the Export–Import Bank. Mr. Gaston indicated his agreement with Mr. Bissell's statement.

After expression of the views of the other members of the Council, the Chairman stated that the minutes should record Council concurrence in the proposition that 5% counterpart funds as in the past should be available for use for development or acquisition of critical or scarce materials as outlined by Mr. Bissell.

Mr. Bissell also added that the ECA did not desire to retain authority for making short-term dollar advances against repayment in strategic materials but felt that possibly some of the other operating agencies such as GSA would be interested in discussing the advances question. He suggested this question be left open for further exploration.

The Council expressed concurrence in the view that the question of short-term advances should be explored with the operating agencies.

Mr. Gaston indicated that the Export–Import Bank felt it could undertake the financing of strategic and critical materials in by far the largest number of cases without any recourse to guarantee arrangements. He indicated that in the view of the Bank any guarantee arrangement would be the exception rather than the rule. He said that the risks which might be greater than could reasonably be undertaken by the Bank would be those largely associated with the early stages of exploration and development rather than in the cases where the availability of the mineral resources was established and where the essential problem was one of getting them out.

The Chairman, Secretary Sawyer, and Mr. Martin stressed the importance of coordination of the terms and conditions for foreign financing in the field of strategic and critical materials. The Chairman referred to the experience during the last war in which many agencies were involved in foreign operations with no central coordination of financial terms. Mr. Thorp referred to the fact that in connection with the disposal of surplus property the NAC had not reviewed each case of disposal but rather had set up general standards as to terms and conditions which applied to all agencies concerned. He suggested this approach would probably be preferable in the case of strategic materials.

Mr. Staats commented that his views were tending generally along the lines indicated by the second alternative in the Staff paper, at least for the interim. He noted that the Defense Production Authority thought it desirable to make as few changes in the Defense Production Act as possible at this time. Given this conclusion he thought that an arrangement providing for a guarantee procedure would require the least changes in the present pattern of legislation, although it would probably require a change in the ECA legislation to provide for a guaranteeing authority. He said it was the general view of the Bureau that the Export–Import Bank should be used to the maximum extent possible in the field of foreign lending. He added that he thought the basic problem of assuring that the programs of the operating agencies could be carried out would be solved if the operating agencies had the authority to certify projects to the Export–Import Bank where those involved risk elements beyond those normally undertaken by the Bank.

Mr. Staats also commented briefly on the problem of coordinating the activities of the agencies operating in the field of foreign procurement and development of strategic and critical materials.

Following further discussion, the Chairman indicated that the minutes should record reaffirmation of NAC Action No. 442 with the specific exception of the use of ECA 5% counterpart funds. He also indicated that the minutes should record the tentative conclusion that

the financing of strategic and critical materials should be worked out along the lines of alternative 2 of the Staff paper as follows:

"The Export–Import Bank might act as the exclusive loan agency for the procurement and development of foreign strategic materials, using its own funds for such purposes, but having recourse to guarantees of the type provided for in Section 301 of the Defense Production Act, where risks appear to be greater than those which the Export–Import Bank ordinarily accepts. The Bank would undertake to extend the credit in every case when the programming agency provides a guarantee."

The Staff was directed to explore the application of the foregoing principles with the interested agencies and specifically to review the question of short-term advances, with repayment in strategic materials, with such agencies.

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NAC Files, Lot 60 D 137

*Draft of Minutes of Meeting No. 177 of the National Advisory Council, Washington, May 24, 1951*

SECRET

[Participants:] Secretary John W. Snyder (Chairman), Treasury Department
Mr. Willard L. Thorp, State Department
Mr. Wilfred Malenbaum, State Department
Mr. J. J. Stenger, State Department
Mr. R. C. Miller, Commerce Department
Mr. Clarence I. Blau, Commerce Department
Mr. William McC. Martin, Jr., Board of Governors, Federal Reserve System
Mr. Arthur Marget, Board of Governors, Federal Reserve System
Mr. Lewis Dembitz, Board of Governors, Federal Reserve System
Mr. Herbert E. Gaston, Export–Import Bank
Mr. Hawthorne Arey, Export–Import Bank
Mr. Victor F. Hasenoehrl, Export–Import Bank
Mr. James A. McCullough, Economic Cooperation Administration
Mr. Lawrence S. Dreiman, Economic Cooperation Administration
Mr. Frank A. Southard, Jr., International Monetary Fund
Mr. Elting Arnold, Treasury Department
Mr. George Bronz, Treasury Department
Mr. Henry J. Bittermann, Treasury Department
Mr. C. Dillon Glendinning (Secretary)
Mr. Allan J. Fisher (Assistant Secretary)

1. *Proposed Loans to Nicaragua*

Mr. Glendinning said that both the Export–Import Bank and the International Bank had requested consideration of a $600,000 loan to Empresa de Luz y Fuerza Electrica, a government-owned corporation, to expand light and power facilities. The Export–Import Bank had been exploring this project with the Nicaraguans for some time. The International Bank had also expressed an interest in this particular project. In addition, the International Bank had requested the advice of the Council with respect to credits to Nicaragua of about $1 million for agricultural machinery, $3.5 million for highway construction, and $500,000 for grain storage facilities. On the technical side no questions were raised in the Staff Committee so far as capacity to repay or the character of the projects was concerned. The loans appeared to be good loans and well within the capacity of Nicaragua to service (NAC Document No. 1145).[1]

Mr. Glendinning added that the matter was being brought before the Council because of the question as to whether it would be more appropriate for the Export–Import Bank or the International Bank to make the electric power loan to Nicaragua in light of the general principles the Council had agreed upon with respect to the areas of operation of the two banks (See minutes of Meetings No. 172 and 173, and NAC Document No. 1122).[2]

Mr. Gaston said that this application was made to the Export–Import Bank by the light and power company in September 1950, and the Bank had had it under consideration since then. There had been some delays in getting the necessary information from Nicaragua. The item had for several months appeared on the Bank's monthly list of pending applications, which goes to the International Bank, without protest or question. The item had been discussed with the staff of the International Bank by the staff of the Export–Import Bank, and the International Bank representatives had stated that they were not interested. The International Bank had come into the picture only after the loan request had come to the NAC for consideration.

Mr. Gaston continued that this was the type of loan which was characteristically an Export–Import Bank type of credit. It involved financing the sale of a specific piece of American machinery, namely, a Diesel electric unit manufactured by the Nordberg Manufacturing Company, which had contracted with Nicaragua to provide this unit to enable it to carry out an expansion program. It was not a general improvement loan. It had never occurred to the Export–Import Bank that it would be considered as an International Bank loan. The Inter-

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[1] Not printed.

[2] *Ante*, pp. 1599, 1615, and 1596, respectively.

national Bank had shifted its ground a couple of times. The IBRD had first raised the question that this loan would be in excess of Nicaragua's capacity to repay, taking into consideration the new loans the IBRD was contemplating making, which were worked up after the Export–Import Bank loan. The IBRD had later come to the conclusion the loan was within Nicaragua's capacity to repay, but that since Nicaragua was a member country it should be handled by the International Bank. Mr. Gaston concluded that he did not think the Council would want to make decisions which would completely debar the Export–Import Bank from making loans in IBRD member countries, from making loans in Latin America, or from carrying out its statutory function of assisting American interests in selling abroad.

Mr. Martin said that the International Bank had no intention of seeking decisions of the type Mr. Gaston had mentioned. The purpose of the Council's discussion in the two previous meetings was to establish the point that the International Bank was a primary source of development lending, unless strategic reasons or special policy considerations would make it more appropriate for the Export–Import Bank, or the United States Government as such, to undertake the financing. The International Bank thought it had been agreed that such was the general policy. If that was not the policy the International Bank would like to raise it for further discussion in the Council.

Mr. Martin continued that on the historical ground that consideration of the loan had started before the Council's action was taken, and regardless of misunderstandings between the staffs of the Bank, the management of the International Bank was perfectly willing to withdraw its request. The reason for wanting the loan was that the International Bank did not feel this was a strategic matter, and since it was making a loan for three items and this could be related to them as a part of an over-all development program the IBRD felt it would be appropriate for this loan to be made by the International Bank. Unless someone wished some discussion of the strategic importance of this loan he was willing on behalf of the International Bank to withdraw the request.

Mr. Gaston commented that Mr. Martin's position was that the Export–Import Bank should not make loans abroad except those which had strategic implications. He did not interpret the Council's action as carrying such implication. The Export–Import Bank still had the function of making loans to promote the export and import trade of the United States, and he thought that the action of the NAC to the effect that in the case of development loans there should be primary recourse to the International Bank was not in conflict with that function.

Mr. Thorp expressed the view that the basis on which the Director of the International Bank had stated his position was essentially one

that the Council could accept. The Council had accepted the idea that the International Bank was the bank of first resort in development lending, and he gathered that that issue was not being raised here. The Executive Director was saying that in view of the history of this loan he would not want to challenge it on the basis of the general principle that the International Bank was the bank of first resort.

Mr. Thorp added that while he did not think it was necessary to consider strategic considerations in this instance, it was important to the United States Government that this loan be made. The strategic significance was that this electricity was needed to assure proper lighting of an airport and also in connection with the possible expansion of the use of the airport in connection with protection of the Canal Zone. He added that he did not think this needed to be given consideration in the context in which the Council was considering the matter, but it was an additional fact which had some bearing on the problem.

Mr. Gaston said he would not want to let the matter rest on strategic grounds. Mr. Thorp said he was not putting it on that basis.

Mr. Martin observed that Mr. Gaston apparently did not agree with what Mr. Martin believed to be the action of the Council on this matter. It was important, as the Administration approached Congress on the proposed legislation for fiscal 1952, that it be clearly understood what the position of the Council was and perhaps there should be another meeting on this question.

Mr. Gaston commented that if Export–Import Bank were limited to loans having strategic significance it would go a long way to nullify the Act of Congress under which the Bank operated. He could not accept that concept.

The Chairman stated that this was not the basis on which the Council was presently considering the loan. The International Bank had withdrawn its request. He understood that it was the sense of the Council that in the proposed action the reference to consideration of the Empresa loan by the U.S. Executive Director of the International Bank would be deleted. The Chairman then inquired what the sense of the meeting was with respect to paragraph 2 of the action concerning the three loans of about $5 million by the International Bank. No objection was expressed, and this item was approved.

The Chairman said that the Council would have an early meeting on this matter after careful review of the action taken in the past, and consultations with Council members.

*Action:*

The following action was taken (Action No. 469):

1. The National Advisory Council approves consideration by the Export–Import Bank of a credit of $600,000 to the Nicaraguan Empresa de Luz y Fuerza Electrica, S.A., for electric power equip-

ment. It is understood that the credit would have a maturity of approximately ten years, and an interest rate of about 4 percent.

2. The National Advisory Council advises the United States Executive Director of the International Bank that it approves his consideration, in the Board of Directors of the Bank, of loans to Nicaragua in the following approximate amounts: (*a*) $1 million for agricultural machinery (*b*) $3.5 million for highway construction and (*c*) $500,000 for grain storage facilities. It is understood that the loan for farm machinery would be for 7 years, and the other two loans for 10 years, and that the interest rate applicable to all three loans would be about 4 percent.

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NAC Files, Lot 60 D 137

*Memorandum by the NAC Staff Committee to the National Advisory Council*

SECRET [WASHINGTON,] July 25, 1951.

NAC Doc. No. 1172

Subject: Financial Policy Aspects of Fiscal 1953 Mutual Security Program

The President has requested the National Advisory Council to review financial policies applicable to the Mutual Security Program for the fiscal year 1953 (NAC Document No. 1171).[1] The Staff Committee has reviewed the earlier actions of the Council in this general area, and presents the following conclusions and recommendations for consideration.[2]

(1) *Gold and Dollar Reserves of Recipient Countries*

(*a*) *Europe*

1.—U.S. foreign economic assistance under present conditions should be determined primarily by considerations of mutual defense. The present policy of not extending grant assistance to European countries for the purpose of increasing gold and dollar reserves should be continued. Where an increase in reserves occurs or where such an increase seems probable, taking into consideration net receipts of dollars from all sources, including military expenditures, the situation will require the most critical examination.

2.—Where, in the opinion of the US, failure to provide dollar aid would prejudice mutual security, such aid should not be withheld merely because the US anticipates that one of the effects of such aid would be to increase the reserves of the recipient country.

3.—In general countries participating in the defense effort should not be required to reduce the present level of reserves as a prerequisite for receiving US aid.

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[1] Not printed.

[2] This paper was considered by the Council at its meeting on July 27 (No. 181), minutes not printed. The Council approved the conclusions and recommendations of the Staff Committee as set forth below in Action No. 482.

4.—Where the country is making a satisfactory contribution to mutual defense, an unanticipated accumulation of reserves occurring as a result of the vigorous application of appropriate economic and financial policies should not automatically result in the reduction of aid.

(*b*) *Underdeveloped Areas*

Aid to under-developed areas is generally intended to increase total resources available for economic development and creation or expansion of essential social services. It is not generally intended to cover balance of payments deficits. Although grant assistance may be given in appropriate cases to under-developed areas for the purpose of financing internal costs of development it is in general unlikely to have substantial influence on the trend of reserves in such areas. Therefore, presently conceived programs for the under-developed areas do not appear to present major questions relating to levels of reserves.

(2) *Counterpart Policy*

(*a*) *Europe*

1.—*For Military Goods and Services.* It is recommended that, as in the past, counterpart deposits should not be required by recipient countries for military goods and services given on a grant basis. This policy would also appear appropriate for other areas.

2.—*For General Economic Assistance.* It is recommended that counterpart deposits should be required for all direct grant assistance. It is also recommended that legislation permit the use of counterpart funds directly for military expenditures where such use would most advantageously facilitate the defense effort.

(*b*) *Underdeveloped Areas*

1.—In view of the diverse nature of the programs and the varying political and economic circumstances in such areas as the Middle East, South Asia, and Southeast Asia, it is recommended that the administering agencies of grant assistance economic programs should have substantial discretion in determining the extent to which counterpart funds may be appropriately required country-by-country and on the terms and conditions under which counterpart may be expended.

2.—In general, it is recommended that counterpart deposit for grant assistance be required at least in those cases where the goods supplied are to be sold through private commercial channels either directly or by the recipient government. In some instances a policy of requiring counterpart deposits for the full amounts of goods supplied may be desirable if in fact this policy should be of value as a means of influencing general monetary and economic policies and facilitating economic development.

3.—Generally, it would appear desirable that where counterpart deposits are required the amounts should be commensurate in value to the dollar costs of the goods supplied. Commensurate value would be determined by appropriate exchange rates in accordance with existing NAC actions.

4.—It is suggested that counterpart deposits be made available to meet the United States local costs of administering the programs but that no fixed percentage of proceeds need be assigned for such costs nor that the United States attempt to use such funds for general administrative expenditures of this Government.

(3) *Loan-grant Policy**

I. *Economic Assistance*

(*a*) *Europe*

For the last three years the Council has recommended that extraordinary assistance to Europe should be on a grant basis. There appears to be no reason for changing this policy during the coming year.

(*b*) *Underdeveloped Areas*

1.—Insofar as physical availabilities will permit, it is proposed to foster economic development in some countries at a rate which may be faster than they might undertake exclusively on a loan basis. Grants may be required to influence the character as well as the rate of development.

2.—For fiscal 1953 loans should be extended by the established lending institutions, namely the Export–Import Bank and the International Bank for Reconstruction and Development, under their usual terms and conditions. The Executive Branch should not request authority or appropriations from Congress for special categories of loans.

3.—Where countries are in a position to service loans, bearing in mind their longer range development needs, and the projects are of the appropriate type, the programs should be put on a loan basis. It will be necessary to review the proposed programs country-by-country to determine the amounts which the individual countries might finance on a loan basis.

II. *Military Goods and Services*

Military goods and services should be provided on a grant basis or against cash payment, not on a credit or loan basis.

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*The principles set forth in this section are not designed to cover the financing of strategic and critical materials. The financial terms and conditions for facilitating production of strategic materials are covered in NAC Document No. 1151 (Revised). [Footnote in the source text. NAC Doc. No. 1151 not printed.]

NAC Files, Lot 60 D 137

*Memorandum by Mr. Frank A. Southard, United States Executive Director of the International Monetary Fund, to the Secretary of the National Advisory Council (Glendinning)*

SECRET [WASHINGTON,] October 25, 1951.

NAC Doc. No. 1208

Subject: Use of the Fund's Resources

1. The question of the appropriateness of using the resources of the Fund under current conditions is again being actively reviewed both within and outside of the Fund.[1]

2. Under current policy and procedures, drawing on the Fund is limited to members who can meet relatively severe tests designed to assure that the use of the Fund's resources would be temporary. In the application of these tests I believe there is still a relatively wide gap between our "criteria" and "creditworthiness" as defined by the British. In any event, at present two groups of countries may be able to draw on the Fund:

(*a*) One of these comprises the "blue chip" countries (such as Canada, Mexico, and Cuba) which can readily meet even our criteria but which are unlikely to need to draw on the Fund in the near future.

(*b*) The other includes countries which may qualify under the so-called Gutt procedure approved last May,[2] which would place the resources of the Fund at the disposal of a country engaged in a stabilization program approved by the Fund. This is an attractive and sound idea, but under present conditions it is unlikely that many countries will be able to qualify.

3. So far as Europe is concerned, any *general* increase in use of the Fund's resources in the next year seems to me quite problematical. Of the eight leading European members of the Fund, i.e., U.K., France, Italy, Netherlands, Norway, Denmark, Belgium, and Sweden, only the last two appear to qualify. The other six are faced with internal and external financial situations which would appear to preclude use of the Fund's resources. Some major non-European countries, such as India, Pakistan, and Japan, raise similar questions.

4. The above considerations point to the likelihood that present policies respecting use of the Fund's resources will continue to result in almost no drawings on the Fund.

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[1] For an earlier phase in 1950, see *Foreign Relations*, 1950, vol. I, pp. 810 ff. The phase under consideration here coincided with the advent of a new Managing Director of the International Monetary Fund, Mr. Ivar Rooth, who assumed his responsibilities on August 3, 1951. For an account of this matter by the IMF official historian, see J. Keith Horsefield, *The International Monetary Fund, 1945–1965, Twenty Years of International Monetary Cooperation, volume I: Chronicle*, pp. 321 ff. (Mr. Horsefield was also editor in charge of the entire 3-volume series that makes up the official IMF history for the years 1945–1965, under the same general title as cited above.)

[2] See NAC Doc. 1128, April 19, p. 1613.

5. The balance of this memorandum is concerned with two proposals by Mr. Rooth which might somewhat increase the use of the Fund's resources with little or no risk that such use would be abused—that is, would result in large drawings with little or no prospect of reasonably prompt repayment.

6. The first proposal is to permit automatic drawing rights for a member up to the point at which the Fund's holdings of its currency reached 100 percent of its quota. If a member has paid 25 percent of its quota in gold and dollars, the automatic drawing right would amount to 25 percent of the quota. Countries having paid in less gold and dollars would have proportionately smaller automatic drawing rights.

(*a*) The rationale of this proposal is this: To the extent that a member has contributed gold and dollars to the Fund, it may be entitled to somewhat easier treatment. The Fund's experience with the automatic repurchase mechanism in the last 18 months has been quite good; a number of countries have made large repayments to the Fund in gold and dollars. As long as a country's drawings on the Fund are limited to the total amount of its contributions of gold and dollars, there is a reasonable presumption that normal fluctuations in its reserves will provide automatic repayment to the Fund. Moreover, the very fact that a member has paid gold or dollars to the Fund in an amount approaching a fourth of its quota indicates some likelihood that its gold and dollar reserves ordinarily will stand at a level high enough to bring the automatic repurchase mechanism into play. It should be kept in mind that most of the more important countries with respect to which this generalization is not applicable have already drawn more than the amount of their gold and dollar in-payments, as the attached table will show.

(*b*) This small amount of automaticity would be quite useful. It would encourage countries to place some reliance on the Fund. It would make the automatic repurchase mechanism entirely palatable, whereas at present countries resent having to repay the Fund in gold with no assurance whatever that they can again draw. I feel it would enable us to hold the line beyond the point at which the Fund's holdings of a member's currency exceed 100 percent, much more easily than we now do and with much more understanding from members. Finally, there are inevitably some cases of countries which have paid one-fourth of their quota in gold but which present relatively poor risks for (large) drawings. I think of countries like Paraguay. If these countries could from time to time draw small amounts, not exceeding their gold in-payments, they would have a friendlier understanding of the Fund's policies.

(*c*) I do not believe this procedure would result in large drawings, as long as countries trusted the Fund to hold to this policy once it was announced. As the attached table shows, the total amount of such drawings would be $350 million if all countries fully utilized their right. Of this total, $306.24 million can be accounted for by 10 countries (Belgium, Canada, Colombia, Cuba, Egypt, Germany, Japan, Mexico, Sweden, and South Africa). These countries have the kinds of fluctuations in their reserve positions which tend to result in auto-

matic repurchase. Belgium, Egypt, Mexico, and South Africa have already repurchased their whole drawing from the Fund, which demonstrates that the system *does work*. Finally, the assurance of being able to draw within the limits set forth above would give Governor Frere what he needs before he would feel able to permit drawings in Belgian francs.

7. The second recommendation is that the Fund should make clearer to members that 6 to 12-month credits can be obtained to meet seasonal or other very temporary situations.

(*a*) These very short-term drawings would be accompanied by special repurchase undertakings by the member countries. Hence a member would be granted this kind of accommodation even though its basic situation was such as to make it ineligible for an ordinary drawing.

(*b*) Mr. Rooth is much interested in this kind of operation because it fits into the concept of short-term operations with which he is familiar as a central banker. I believe countries would find this accommodation quite useful from time to time.

8. I should appreciate receiving the views of the National Advisory Council respecting these two proposals.

Attachment

## Members' Quotas

(All values in millions of U.S. dollars)

| *Member* | *Quota* | *Fund holdings of member currencies* | *Per cent of member's quota* | *Paid in gold*† | *Outstanding drawings* | *Unused portion of gold payment* |
|---|---|---|---|---|---|---|
| Australia | 200 | 211.57 | 106 | 8.40 | 20.0 | 0 |
| Austria | 50 | — | — | — | — | — |
| Belgium | 225 | 168.75 | 75 | 56.25 | — | 56.25 |
| Bolivia | 10 | — | — | — | — | — |
| Brazil | 150 | 150.00 | 119 | 37.50 | 65.5 | 0 |
| Canada | 300 | 224.99 | 75 | 75.00 | — | 75.00 |
| Ceylon | 15 | — | — | .75 | — | .75 |
| Chile | 50 | 46.55 | 93 | 8.82 | 5.37 | 3.45 |
| China | 550 | — | — | .06 | — | — |
| Colombia | 50 | 37.50 | 75 | 12.50 | — | 12.50 |
| Costa Rica | 5 | 3.75 | 75 | 1.25 | 0 | 1.25 |
| Cuba | 50 | 37.49 | 75 | 12.50 | — | 12.50 |
| Czechoslovakia | 125 | 128.63 | 103 | 2.37 | 6.00 | 0 |
| Denmark | 68 | 72.26 | 106 | 5.94 | 10.20 | 0 |
| Dominican Republic | 5 | 3.75 | 75 | 1.25 | — | 1.25 |
| Ecuador | 5 | 3.75 | 75 | 1.25 | — | 1.25 |
| Egypt | 60 | 45.00 | 75 | 9.49 | — | 9.49 |
| El Salvador | 2.5 | 1.87 | 75 | .63 | — | .63 |

†Or dollars, in the case of repurchases. [Footnote in the source text.]

Table continued on following pages.

MEMBERS' QUOTAS—Continued
(All values in millions of U.S. dollars)

| Member | Quota | Fund holdings of member currencies | Per cent of member's quota | Paid in gold† | Outstanding drawings | Unused portion of gold payment |
|---|---|---|---|---|---|---|
| Ethiopia | 6 | 5.94 | 109 | .06 | — | .06 |
| Finland | 38 | 37.24 | 98 | .76 | — | .76 |
| France | 525 | 541.77 | 103 | 108.11 | 125.00 | 0 |
| Germany* | 330 | 290.00 | 88 | 40.00 | — | 40.00 |
| Greece | 40 | — | — | — | — | — |
| Guatemala | 5 | 3.75 | 75 | 1.25 | — | 1.25 |
| Honduras | 0.5 | .37 | 75 | .13 | — | .13 |
| Iceland | 1 | .75 | 75 | .25 | — | .25 |
| India | 400 | 472.42 | 118 | 27.53 | 99.98 | 0 |
| Iran | 35 | 26.23 | 75 | 8.77 | — | 8.75 |
| Iraq | 8 | 8.00 | 100 | — | — | — |
| Italy | 180 | — | — | .02 | — | — |
| Japan* | 250 | 214.00 | 85 | 36.00 | — | 36.00 |
| Lebanon | 4.5 | 4.23 | 94 | .27 | — | .27 |
| Luxembourg | 10 | 9.52 | 95 | .48 | — | .48 |
| Mexico | 90 | 67.50 | 75 | 22.50 | — | 22.50 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Netherlands | 275 | 281.63 | 102 | 68.75 | 73.39 | 0 |
| Nicaragua | 2 | 1.50 | 75 | .50 | — | .50 |
| Norway | 50 | 47.06 | 94 | 12.50 | 9.56 | 2.94 |
| Panama | 0.5 | .37 | 75 | .13 | — | .13 |
| Paraguay | 3.5 | 2.62 | 75 | .88 | — | .88 |
| Peru | 25 | 21.85 | 87 | 3.15 | — | 3.15 |
| Philippines | 15 | 11.25 | 75 | 3.75 | — | 3.75 |
| Sweden | 100 | 83.00 | 83 | 17.00 | — | 17.00 |
| Syria | 6.5 | 6.33 | 97 | .17 | — | .17 |
| Thailand | 12.5 | — | 75 | 3.13 | — | 3.13 |
| Turkey | 43 | 37.25 | 87 | 10.75 | 5.00 | 5.75 |
| Union of South Africa | 100 | 75.00 | 75 | 25.00 | — | 25.00 |
| United Kingdom | 1,300 | 1,331.60 | 102 | 236.27 | 265.96 | 0 |
| Uruguay | 15 | — | — | — | — | — |
| Venezuela | 15 | 11.25 | 75 | 3.75 | — | 3.75 |
| Yugoslavia | 60 | 61.16 | 102 | 7.88 | 9.00 | 0 |
| | 5,866.5 | 4,789.45 | | 873.70 | 694.96 | 350.92 |

*Based on probable quota and gold payment. [Footnote in the source text.]
†Or dollars, in the case of repurchases. [Footnote in the source text.]

NAC Files, Lot 60 D 137

*Draft of Minutes of Meeting No. 185 of the National Advisory Council, Washington, October 30, 1951*

SECRET

[Participants:] Secretary John W. Snyder (Chairman), Treasury Department
Mr. Willard L. Thorp, State Department
Mr. Alexander M. Rosenson, State Department
Mr. R. C. Miller, Commerce Department
Mr. William McC. Martin, Jr., Board of Governors, Federal Reserve System
Mr. Arthur Marget, Board of Governors, Federal Reserve System
Mr. Herbert E. Gaston, Export–Import Bank
Mr. Bernard Bell, Export–Import Bank
Mr. C. Tyler Wood, Economic Cooperation Administration
Mr. Melville E. Locker, Economic Cooperation Administration
Mr. Frank A. Southard, Jr., International Monetary Fund
Mr. John S. Hooker, International Bank
Mr. Thomas J. Lynch, Treasury Department
Mr. George H. Willis (Acting Secretary)
Mr. Allan J. Fisher (Assistant Secretary)

[Here follows discussion of prior agenda items.]

3. *Use of the Fund's Resources*

Mr. Willis said that this matter had been brought up for discussion by the Council at the suggestion of the United States Executive Director. The Managing Director of the Fund had two general approaches to some wider use of the facilities of the Fund by members. The first of these would provide a rather simple procedure for allowing drawings by countries of an amount equal to the gold and dollars they had contributed to the Fund. Technically this meant that countries, the holding of whose currencies by the Fund was less than 100 percent of quotas, would be in a position to draw. An applicant country would approach the Managing Director and he would either inform the Board, if it were a small drawing of 5 percent or less, or if the amount were larger would discuss the matter with the Board. It would be generally understood countries would have fairly good reason to expect approval if they fell within this category and were drawing to an amount not in excess of their contribution of gold and dollars. Some acceptable understanding respecting repurchase would be reached. It was felt there were some advantages to this arrangement

and that a number of countries might be favorably disposed to it. The Managing Director expected to discuss the proposal thoroughly with the Fund Board as well as abroad before any conclusion was reached in the Fund.

The second proposal related to very short-term drawings of perhaps 6 to 18 months on a distinctly discretionary basis. The Fund would review each case and these very short-term drawings would be accompanied by special repurchase undertakings by the member countries (NAC Document No. 1208).[1]

Mr. Martin observed that these proposals seemed to meet the requirement that the Fund have some control over its resources, and to put the Fund into the short-term lending business in a satisfactory way. Mr. Thorp agreed that it would constitute a very good move. The Chairman added that he thought it would go a long way toward meeting some of the objections raised in informal discussions at the Annual Meetings of the Fund's Board of Governors.

Mr. Gaston commented, with respect to the proposal for short-term drawings to cover seasonal contingencies, that it would be well to see that such drawings were considered from the standpoint of the foreign exchange expectancies of foreign countries and their normal imports, so that the funds would not be used to finance abnormal imports.

Mr. Southard said that it would be most helpful if the Council would agree to his support of the proposal. The discussion in the Fund would probably last for several months and he would report back either to the Staff Committee or the Council as the proposal became firmer. He added that in order to get agreement on a firm repurchase policy respecting drawings in excess of 100 percent of the Fund's holdings of a member's currency it might be necessary not to insist on a firm repurchase agreement with respect to drawings not exceeding the gold *tranche*. There was a legal basis upon which the distinction might be placed, since these drawings would not be subject to interest charges but only to the transaction charge. The Executive Directors might resist putting these drawings on the same basis of repayment as drawings subject to interest charges. The Managing Director preferred a firm repurchase obligation even for these drawings and Mr. Southard said that it would also be his preference. However, this might be the point of profitable compromise. He thought we might take a chance and rely on the automatic repurchase mechanism, since the sterling area countries, where the provision does not operate, have with one or two minor exceptions used up the gold *tranche* of their quota. Mr. Southard repeated that he would come back to the Council for further consultation before he would agree to such a compromise.

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[1] *Supra.*

The Chairman suggested that it might be a proper procedure, if the Council saw fit to place responsibility on the United States Executive Director to work out the initial phases of the proposal, to evidence an open-minded view on the matter without a direct commitment. He thought this would be the most appropriate approach so that the United States would not jeopardize its trading position.

Mr. Thorp said that he assumed Mr. Southard would be expected to take an active part in the discussion and to indicate United States support of this type of program. He gathered the Chairman's comments meant that he should not be committed as to details. The Chairman agreed and said that he thought that Mr. Southard's approach should be to support the proposals but not to commit himself on details at this time. There was general agreement on this suggestion.

Attachment

## Comparison of Present and Proposed Schedules

| Period | Present 1 0–25% | Present 2 25–50% | Present 3 50–75% | Present 4 75–100% | Proposed 1 0–25% | Proposed 2 25–50% | Proposed 3 50–75% | Proposed 4 75–100% |
|---|---|---|---|---|---|---|---|---|
| 0–3 months | 0 | 1 | 1½ | 2 | 0 | 1 | 1½ | 2 |
| 3–6 | ½ | 1 | 1½ | 2 | 0 | 1 | 1½ | 2 |
| 6–12 | ½ | 1 | 1½ | 2 | 1 | 1½ | 2 | 2½ |
| 1–1½ yrs. | 1 | 1½ | 2 | 2½ | 1½ | 2 | 2½ | 3 |
| 1½–2 | 1 | 1½ | 2 | 2½ | 2 | 2½ | 3 | 3½* |
| 2–2½ | 1½ | 2 | 2½ | 3 | 2½ | 3 | 3½* | 4‡ |
| 2½–3 | 1½ | 2 | 2½ | 3 | 3 | 3½* | 4‡ | |
| 3–3½ | 2 | 2½ | 3 | 3½ | 3½* | 4‡ | | |
| 3½–4 | 2 | 2½ | 3 | 3½ | 4‡ | | | |
| 4–5 | 2½ | 3 | 3½ | 4* | | | | |
| 5–6 | 3 | 3½ | 4* | 4½ | | | | |
| 6–7 | 3½ | 4* | 4½ | 5† | | | | |
| 7–8 | 4* | 4½ | 5† | | | | | |
| 8–9 | 4½ | 5† | | | | | | |
| 9–10 | 5† | | | | | | | |

*At this point the Fund is obligated to consult with the member on means to reduce the Fund's holdings of the member's currency. [Footnote in the source text.]

†Thereafter subject to such charges as the Fund regards appropriate. [Footnote in the source text.]

‡If the Fund decides to raise the interest rate, it may do so only to 4½ per cent for one semi-annual period and 5 per cent for a second semi-annual period. Thereafter the Fund may levy any changes it regards appropriate. [Footnote in the source text.]

NAC Files, Lot 60 D 137

*Memorandum by Mr. Frank A. Southard, United States Executive Director of the International Monetary Fund, to the Acting Secretary of the National Advisory Council (Willis)*

CONFIDENTIAL [WASHINGTON,] February 11, 1952.

NAC Doc. No. 1261

Subject: Use of the Fund's Resources and Repurchases

1. Since I forwarded to you my memorandum on this subject (NAC Staff Document No. 558, January 31, 1952),[1] there have been further discussions both in the NAC Staff and in the Executive Board of the Fund. On the basis of these discussions, I propose to take the following position in the Executive Board, for the reasons indicated, unless the National Advisory Council perceives some objection.

2. I would acquiesce in the statement which the Managing Director has made as a framework for his discussions with members on the use of the Fund's resources. The essential elements of this statement are as follows:

(*a*) Decisions on use of the Fund's resources will have to be made case by case, to help members achieve the purposes of the Fund, with recognition that the task of the Fund is to help members that need assistance to deal with a temporary problem and who intend to pursue adequate policies to deal with the problem within a temporary period.

(*b*) The member's whole situation would be considered, including its past prudence in drawing and its voluntary repayments to the Fund.

(*c*) As a supplement to what may be called ordinary drawings, the Fund would be prepared to consider specific drawings to deal with special very short-term situations, with commitments to repurchase in periods up to 18 months. The Fund would also be prepared to give countries very much the benefit of the doubt with respect to drawings involving the so-called gold *tranche*. In accordance with the Fund's decision of May 1951, the Fund would be prepared to consider assistance to enable the members to pursue programs designed to make progress toward the objectives of the Fund.

3. As to repurchase arrangements, the Fund would make clear that exchange purchased by members should not remain outstanding beyond the period reasonably related to the payments problem of the member, ordinarily not exceeding three years with five years as the outside limit. Where the drawing is within a bracket of the quota involving payment of interest, it would be made clear that the mandatory consultations occurring when the rate reaches 3½ percent per annum would be for the agreed purpose of arriving at appropriate arrangements to ensure complete repurchase within five years of the original drawing. With respect to so-called gold-*tranche* drawings, the Fund would request members to agree on a schedule of repurchases so

[1] Not printed.

that all amounts outstanding at the end of three years would be repurchased by the end of five years of the original drawing. These decisions having been taken,[2] members would be required to cite their agreement with such decisions at the occasion of any drawing.

4. A decision along the above lines would in my judgment fully preserve the basic principles of the NAC respecting the use of the Fund's resources. It should be emphasized that there will be advance notice on every proposed drawing which will give the NAC opportunity for review and for instructions to the U.S. Director.[3]

[2] Marginal notation reads: "by the Ex[ecutive] Board."

[3] The IMF Board of Executive Directors reached an agreement on February 13, 1952, which became known as the "Rooth Plan" (Decision No. 102-(52/11), February 13, 1952). For text, see J. Keith Horsefield, *The International Monetary Fund, 1945–1965, Twenty Years of International Monetary Cooperation, volume III: Documents*, pp. 228–230.

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NAC Files, Lot 60 D 137

*Document Prepared by the NAC Staff*

RESTRICTED [WASHINGTON,] March 10, 1952.

NAC Staff Doc. No. 565 (Part B)

MEMORANDUM ON THE INTERNATIONAL MONETARY FUND

Congressman J. K. Javits, in letters dated October 17, 1951, and January 18, 1952,[1] has asked for a report on the possibilities for a broader utilization of the resources of the International Monetary Fund, in connection with the current hearings on the Mutual Security Program. Mr. Javits cited the report of the Committee on Foreign Affairs of the House on H.R. 5113 (House Report 872 of August 17, 1951) as the basis for his request.

Various reports of the National Advisory Council on International Monetary and Financial Problems to the Congress, and particularly the second special biennial report submitted in May, 1950 (House Document No. 611, 81st Cong., 2nd Session), indicate the efforts of the U.S. Government to work toward an effective policy for the use of the resources of the International Monetary Fund.

The Council has always emphasized that the use of the resources of the Fund should be linked with the broad foreign exchange policy which is embodied in the Articles of Agreement of the Fund. This means, in brief, that the members of the Fund should be permitted to draw on the resources of the Fund only as a means of assisting them in maintaining the stability of their currencies, or in making progress toward convertibility through the elimination of exchange

[1] Neither printed.

restrictions or other appropriate measures. The Congress, in enacting the Bretton Woods Agreements Act which provided for the participation of the United States in the International Monetary Fund (Public Law 171, 79th Congress),[2] required the U.S. Governor and Executive Director to obtain promptly an official interpretation by the Fund which, in effect, would limit the use of the Fund's resources to current monetary stabilization operations to afford temporary assistance to members (see Section 13). The International Monetary Fund subsequently did approve an official interpretation of the Articles of Agreement to this effect. At the end of 1951 the Executive Board of the Fund gave further emphasis to the short-term nature of the use of the Fund's resources by revising the scale of interest charges so as to cut in half the length of time a drawing can be outstanding before a member is required to consult with the Fund respecting repurchase. It has been the view of the National Advisory Council that drawings on the Fund should not be outstanding longer than five years, and current policy in the Fund is in line with this attitude.

Early in 1952 the United States supported a program recommended by the new Managing Director Mr. Ivar Rooth, former head of the National Bank of Sweden, which looks toward a greater use of the resources of the Fund within the context of policies which the United States has supported in the Fund since its inception. The Managing Director's proposal recognizes that drawings on the Fund are intended only for giving assistance to member countries in financing temporary balance of payments difficulties and that there must be a clear understanding at the time of drawing that the currency drawn from the Fund be repaid within three to five years as the outside limit.

Bearing in mind the policy outlined above, it is not surprising that the Fund's resources have been used less actively in the last few years than may have been anticipated at the time the Fund was established. Many countries have struggled with balance of payments difficulties of a character which have not made short-term borrowing an appropriate means of dealing with them. The best evidence of this situation has been the European Recovery Program itself, which was a recognition by the U.S. Government and the U.S. Congress of the need for special assistance, largely by grants rather than by loans. Another relatively large group of countries, including, for example, most of the countries of the Western Hemisphere, and some in the Eastern Hemisphere, have had favorable export markets in the postwar years. Nevertheless, several countries in those parts of the world have had access to Fund resources to meet temporary payments difficulties, and some of them have already been in a position to repurchase their currencies from the Fund as their balance of payments position improved and their reserves increased.

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[2] July 31, 1945, 59 Stat. 512.

This does not mean that the resources of the Fund are unimportant and could be dispensed with. The members of the Fund are not merely members of a short-term bank. In joining the Fund, they have subscribed to a policy embodied in the Articles of Agreement. This policy, as has been suggested above, sets up as the ideal for each member a convertible currency free of exchange controls except as may be necessary to deal with capital movements. The United States for many years has favored this foreign exchange policy and it is well known that the United States not only was the prime mover in the drafting of the Articles of Agreement of the Fund but is a principal factor of influence in the continuance in force of the Articles of Agreement of the Fund. When the countries originally joined the Fund and signed the Articles of Agreement and when new members have joined the Fund, the prospect of having access to the resources of the Fund has been and is an indispensable element in their decision to accept the obligations embodied in the Articles of Agreement. Many members know from experience that they can use the resources of the Fund when they have balance of payments difficulties which are genuinely temporary in character. The most recent example is the drawing by Brazil of $37½ million to meet a special short-run problem arising out of the failure of the Argentine wheat crop and of the necessity of making increased purchases of dollar wheat. As additional countries surmount their most basic balance of payments difficulties and can be added to the list of countries whose balance of payments problems are of a more temporary character, the number of members relying on access to the Fund's resources in time of temporary difficulty will increase.

The U.S. quota in the Fund is $2,750 million. Of this amount the U.S. paid into the Fund $687.5 million in gold, the remainder, or $2,062.5 million, is subject to call as needed by the Fund and, in accordance with the Articles of Agreement, the U.S. gave the Fund non-interest bearing demand notes for this amount instead of paying dollars into the Fund. As member countries draw dollars from the Fund the U.S. Treasury makes the dollars available to the Fund, an equivalent amount of non-interest bearing demand notes being cancelled. As these drawings are paid back to the Fund, the Fund returns the dollars to the Treasury in return for new non-interest bearing demand notes. At the end of January 1952, net drawings on the Fund in dollars have resulted in cashing of $740 million of these demand notes.

It has been suggested that a portion of the gold and dollar resources of the Fund might be made available to some other international lending or investing institution. The Fund itself does not have the power to make advances to such institutions. The United States could recapture part of its gold subscription by obtaining a reduction of its quota in the Fund, and make the proceeds available to some other

international institution. But the reduction would have to be very large. To obtain $500 million of gold in this way the U.S. quota would have to be reduced from $2,750 to $750 million or by $2,000 million. Such a reduction could have only one possible result, the liquidation of the Fund. Insofar as the demand notes of the United States Treasury held by the Fund are concerned, the conversion of the notes into effective dollar resources would place upon the Treasury the same burden as would the provision of dollars out of the current tax revenues or proceeds of loans. In short, although the resources of the Fund are not being utilized on a very large scale at present, only so far as the idle resources consist of gold is there any "tying up" of funds subscribed either by the United States or by any other member; and if the Fund is to continue in existence, its gold resources are essential.

The International Monetary Fund has its place in the set of international institutions on which the United States relies as important elements in the implementation of desirable international economic and financial policies. This memorandum has emphasized that the Articles of Agreement of the Fund comprise a valuable international accord in the field of international financial policy. The Articles also constitute the Fund as a forum for consideration of par values and official exchange rates and the policies and practices of member countries directed toward achieving and maintaining currency stability and convertibility. The Fund's resources were subscribed by the member countries as a means of dealing with short-term balance of payments difficulties. It would be a mistake to take steps to divert the resources of the Fund to other purposes, if by so doing the Fund itself was endangered.

# THE POINT FOUR PROGRAM[1]

700.5 MAP/4–1151

*Memorandum by the Technical Cooperation Administrator (Bennett)[2] to the Under Secretary of State (Webb)*

[WASHINGTON,] April 11, 1951.

Subject: Assignment of Responsibility Between State Department and ECA

I have just learned that the actual wording of the President's letter of April 5, 1951,[3] dealing with State–ECA relationships includes the following:

"ECA should . . . administer Congressionally authorized economic assistance programs to countries in Southeast Asia and the Near East. In addition, ECA should be responsible for such special types of aid as . . . the food program for India. The ECA should provide economic staff work for the United States in connection with United Nations administered programs for . . . the Palestine Refugees. . . ."[4]

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[1] Continued from *Foreign Relations*, 1950, vol. I, pp. 846 ff.

[2] Dr. Henry G. Bennett had assumed direction of the Technical Cooperation Administration (TCA) on December 7, 1950. The TCA was established in the Department of State on October 27, 1950, by Departmental Announcement 212 (for text, see Department of State *Bulletin*, November 13, 1950, pp. 793–795). The enabling instruments were the Act for International Development, June 5, 1950 (Title IV of P.L. 535) (64 Stat. 204) and Executive Order 10159, September 8, 1950 (15 *Federal Register* 6103).

[3] For President Truman's letter of April 5, to the Secretary of State and the Administrator for Economic Cooperation Administration (Foster), see the circular airgram of April 12, 1951, p. 290. The letter described the main outlines of a foreign aid program that reflected a marked shift in emphasis from the general economic aims (economic reconstruction and recovery) of earlier economic aid programs to economic aid in support of "military build up". The letter necessarily dealt with the issue of the organization of the Executive Branch to carry out such a program.

[4] The paragraph reads in full:

"2. ECA should be made responsible for economic and technical assistance, as authorized by the Congress, to Western European countries and their dependent overseas territories in completing the European Recovery Program and in support of military programs under the North Atlantic Treaty. It should also administer Congressionally authorized economic assistance programs to countries in Southeast Asia and the Near East. In addition, ECA should be responsible for such special types of aid as economic assistance to Yugoslavia, and the food program for India. The ECA should provide economic staff work for the United States in connection with United Nations administered programs for Korea, the Palestine Refugees, and the International Children's Emergency Fund. The ECA would consult, advise and assist the State Department in the exercise of the latter's responsibilities as the primary channel of U.S. representation to the United Nations and its affiliated organizations with respect to those programs."

In an effort to clarify and implement the provisions of this paragraph, the Management Staff, a staff arm of the Deputy Under Secretary of State for Adminis-

Footnote continued on following page.

Tentatively, many officials in the Department of State appear to be interpreting this language to mean that the operation of the entire Point 4 program for Southeast Asia and for the Near East is transferred to the ECA.

Considerable doubt is raised also as to what happens to South Asia. Task Force II on Foreign Economic Assistance already has assigned to ECA the responsibility for preparing budget materials for Congress in support of economic aid to South Asia on the assumption that they would administer that program also, including Point 4 in India and Pakistan.[5]

I find it difficult to believe that the President meant to do by an indirect method something which he could have and indeed was urged to do by a direct method. Neither can I believe he intended to leave the TCA in the State Department but transfer most of its activities to ECA. It would be difficult to explain to the Congress a Point 4 Administration limited to (1) the independent countries of North Africa and (2) the Latin American program, most of which is administered through the IIAA.[6]

Following are some of the major steps that have been taken by TCA outside of Latin America since the appropriation for the Act for International Development became available last September:

Footnote continued from preceding page.

tration (Humelsine), on April 10, circularized a memorandum to the regional bureaus of the Department of State on the following questions:

"1. Should we take the position that TCA will operate economic aid and technical assistance exclusively in Latin America, Africa (outside DOT areas), and South Asia?

2. Should we assume that TCA will not carry on any such activities in the areas mentioned in the letter where ECA is to operate the foreign assistance programs?

3. How can we justify to Congress separate administration of similar programs of economic aid and technical assistance in different areas of the world?" (Memorandum by the Director, Management Staff (Heneman), to the Department offices concerned, April 10, A/MS Files, Lot 54 D 291, Drawer 48, "Pt. IV/TCA Organization: Intra/Inter Departmental Organizational Relationships")

The replies from the regional bureaus, the Bureau of United Nations Affairs, the Director of International Security Affairs (S/ISA), and TCA itself are not printed, as their points of view are fully reflected in this and other documentation that follows. (The unprinted documentation is found in the A/MS Files as cited above.)

[5] The Executive Branch was absorbed at this time in the preparation of an Administration position on the mutual security program that was to be presented to the Congress for FY 1952. For documentation on the overall foreign assistance program, with specific emphasis on military aid and economic aid in support of military programs, see pp. 266 ff.

The specific thrust of this section was in the direction of the Department of State's efforts at this time to separate Point Four-type aid—economic aid to underdeveloped countries in the form of technical assistance—from economic aid of the military support type; and the Department's efforts to establish a form of organization that would reflect this separateness.

[6] The Institute of Inter-American Affairs (IIAA) was a U.S. Government agency that administered a well-established technical assistance-type economic aid program in Latin America prior to the genesis of the Point Four program in 1949. The most recent enabling legislation was incorporated in the act of August 5, 1947 (61 Stat. 780). For information regarding the IIAA and its program, see Department of State *Bulletin*, June 19, 1949, p. 795.

1. An extensive program of rural development has been planned and is starting in Iran. Additional projects are getting underway in research and in road construction. Within only a week's time, we have made all necessary arrangements to aid Iran in an emergency program for combatting a locust plague.

2. Good publicity has been obtained on the Horace Holmes agricultural program in India, and recruitment is underway to extend this work. There are other individuals on the job in India in different phases of agriculture, minerals and water investigations, social welfare, and statistics. Agriculture in Ceylon and Pakistan and minerals surveys in Nepal and Afghanistan are other significant activities in South Asia. While there have been delays in getting technicians on the job we will soon have quite substantial agricultural programs underway particularly in India and Pakistan. Arrangements have been made to bring about 50 Indians and nearly 100 Pakistanis to this country for training.

3. Extensive arrangements have been made for a cooperative program with the American University at Beirut for the benefit of the Arab States, and with the Near East Foundation for substantial work in a number of these States. Extensive water and agriculture-potential surveys are underway in Saudi Arabia and a nine member party is getting started this week on a survey to determine the development possibilities of the Litani River basin in Lebanon. Projects in agriculture, health, education, vocational training, rural improvement, and water supply are either underway or about to be activated in most of the States from Egypt through Iran.

4. Joint planning has been undertaken in Ethiopia, Libya and Eritrea and we will have substantial projects underway shortly in each of these areas, again primarily in the field of agriculture.

5. The existing economic and health missions to Liberia have been expanded.

6. Joint Commissions have been established in Iran and Iraq.

7. General country agreements in accordance with the Act for International Development have been signed with Israel, Jordan, Saudi Arabia, Afghanistan, Ceylon, India, Pakistan, Nepal, Iraq, and Liberia providing for long-range cooperation in economic development.

8. Numerous additional project requests have been received and approved and the recruitment and clearance of specialists is in process.

Initiation of these programs was preceded by long planning and negotiation within the countries of that area based upon the original Point 4 concept set forth in P.L. 535. The programs are being carried out through Stanley Andrews' organization in the Department of Agriculture, the Federal Security Agency and other agencies as well as by this Department directly. To my knowledge there has been no discussion with the other agencies of a possible transfer of these activities and personnel to ECA. Such a transfer and the reorientation of programs that would follow could not but affect seriously the cooperative relations established both here and in the host countries.

Paragraph 9 on page 3 of the President's letter provides that "wherever there is an ECA Mission in a country concerned with the

general economic development of that country, our objective should be an integrated U.S. economic staff in the country serving all U.S. needs." I had hoped that responsibility for general economic development of underdeveloped countries would remain with the State Department and that ECA would be used by us as an action agency where that appeared to be the most logical procedure.

In view of the uncertainty concerning the intent of the President's letter, it seems to me that an effort should be made immediately to obtain a clarification.

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A/MS Files, Lot 54 D 291,[1] TCA Program

*Memorandum by the Technical Cooperation Administrator (Bennett) to the Director of the Management Staff (Heneman)*

[WASHINGTON,] April 20, 1951.

Subject: Program Responsibilities of TCA

Pursuant to our discussion yesterday morning I propose that the following principles should govern any consideration of TCA's program responsibilities:

1. It is the responsibility of TCA to carry out basic technical cooperation programs in the underdeveloped areas as authorized by the Act for International Development. I consider the underdeveloped areas to include all countries where annual income is less than $250 per capita.

2. Basic technical cooperation programs are long-range programs which are designed over a period of years to increase food production, improve health and sanitation conditions, develop systems of elementary and vocational education and carry on other similar activities which lay the foundation for sound economic development.

3. The technical cooperation program is primarily a program of teaching and demonstration. It is a down-to-earth program that deals directly with villages and with people—with people who are barefooted, diseased and hungry. A fundamental problem common to all the underdeveloped countries is their inability to attain self-sufficiency in food production. The farmers work very small plots of land. Their problem can best be met not by large grants of funds, supplies or equipment but by helping people to develop simple improvements in methods and practices which they themselves will understand and carry forward. Such a simple program in my judgment can enable the people in many areas to double or triple their food production in a few years.

4. The technical cooperation program should utilize the techniques that have been perfected over a period of 90 years by the Department of Agriculture and the land-grant colleges, and by many private orga-

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[1] Consolidated administrative files of the Department of State for the years 1949–1960.

nizations. It is an extension of the methods devised and proven over the past 8 years in Latin America. TCA has adjusted its approach, recruited and trained its staff, and developed working relationships with other organizations all directed toward the application of these methods.

5. We have been engaged in joint planning for technical cooperation programs with the countries of Asia and the Near East as well as with Latin America. We have already entered into agreements with them and have projects in operation. The programs being requested for 1952 and beyond for most of these countries are a continuation and expansion of what we have already started. It would be embarrassing not to follow through on these plans and agreements, or to change our objectives and methods of operation.

6. As I understand it, there are only a few of the 62 so-called underdeveloped countries where large-scale emergency and supply programs will be requested because of the critical political and military situations. The ECA should be authorized to handle such emergency programs. But the evil inherent in having two government agencies carrying on related programs in a few countries seems less serious than the greater evil of dividing a single program between two agencies for operation in different parts of the world.

It would be very disturbing abroad, and perhaps politically disastrous at home, to take to Congress a proposal that one agency would carry out an agricultural extension program in one country and another agency would carry out the same program in the neighboring country. I think it would be far simpler to arrive at methods of coordination in a few countries than it would be to build up two separate government agencies trained and equipped to carry on the same type of work and drawing on the same technical resources for support.

As I told you yesterday, I have the highest admiration for the job performed by ECA and I am sure that we in TCA are not equipped to carry on the types of programs for which ECA has become proficient. At the same time, I feel that TCA has now established itself both with the underdeveloped countries and with the land-grant colleges and other sources of technical support at home as the agency best equipped to carry out the long-term programs of technical cooperation in all of the underdeveloped areas.

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A/MS Files, Lot 54 D 291, TCA Program

*The Assistant Secretary of State for Near Eastern, South Asian, and African Affairs (McGhee) to the Under Secretary of State (Webb)*

CONFIDENTIAL [WASHINGTON,] April 25, 1951.

Subject: Organization of Aid Programs

The following line of reasoning substantiates the position which I

took at the meeting on April 23rd in favor of the transfer of Point Four functions to ECA.[1]

1. Where substantive funds are available, technical assistance becomes part of a total assistance effort.

2. This total effort manifestly requires unified field direction. If not, there would be two competing agencies doing the same thing: promoting economic development. This will lead to confusion in the mind of the foreigner, if not to confusion in our own ranks. I understand this position has been taken by the Bureau of the Budget and is acceptable in several quarters of the Department.

3. If technical assistance alone, without substantive funds, is all that is available for certain countries, the case against separating its administration from the administrative agency handling programs involving substantive funds as well as technical assistance lies on three counts:

(*a*) It will result in competition in the domestic employment market, and confuse our own public through different standards and criteria for employment;

(*b*) It definitely relegates certain countries to less preferred treatment;

(*c*) It creates difficulties in emergencies where it might otherwise be possible to draw on funds included in other countries' programs.

4. The case for using another agency, not the Department, to operate foreign aid programs may be stated as follows:

(*a*) It is not considered a proper function of the Department to carry on such operations as buying, selling, establishing back credits, etc., all of which are essential to effective assistance programs;

(*b*) The Department accrues to itself all the blame that will arise from the opposition if the program is not successful in every detail;

(*c*) The Department is exposed to reactions from Congress and others if it does not hire people whom they want it to hire;

(*d*) It puts on the Department the entire onus of asking for money from Congress. This always incurs an unfavorable reaction, which tends to influence Congress in its attitude toward the Department.

(*e*) ECA has a good record for getting appropriations and arranging for better conditions of employment—i.e., higher salaries and easier security restrictions;

(*f*) Use of ECA as a successor will draw away from the Department criticism that otherwise would be entirely directed at the Department;

(*g*) Use of a Departmental Bureau, i.e., TCA, to conduct part of the economic development program would confuse the responsibility of the ISA and E bureaus with respect to Departmental coordination of the direct ties which the regional bureaus should have with other agencies;

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[1] The minutes of this meeting are not printed. Minutes of the Under Secretary of State's regular staff meetings with the policy level officers of the Department are found in Lot 53 D 250, Boxes 1644–1646.

(*h*) Removal of Point Four to ECA would at once settle the relationships between Point Four and the technical agencies of government. It is generally admitted that this program has been too much decentralized with consequent loss of initiative and effective action.

5. It is believed that the Institute of Inter-American Affairs should serve as a model for an Institute of Near Eastern and African Affairs, and that both organizations should be developed under ECA with provision for State Department representation on Boards of such institutions, to formalize liaison responsibilities.

These institutions would then be able to avail of ECA resources for obtaining personnel and supplies, etc., as well as the resources of the Department and of other agencies.

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A/MS Files, Lot 54 D 291, TCA Program

*The Director of the Office of United Nations Economic and Social Affairs (Kotschnig) to the Assistant Secretary of State for United Nations Affairs (Hickerson)*

[WASHINGTON,] April 26, 1951.

Subject: Arguments for Keeping Point Four in the Department of State.

1. The Point Four program as a major part of U.S. foreign policy has great public support both in this country and throughout the world. If the program is administratively merged with the agency identified as the one responsible for economic support of military programs the unique place of Point Four in U.S. foreign policy and its universal humanitarian appeal will be difficult to maintain.

2. The long-run character of the Point Four program argues for its being kept in a permanent Department rather than being transferred to a short-run emergency agency.

3. Since Point Four is essentially a self-help program designed to raise living standards, it is operated on a substantially different basis from grant-aid programs which are directly related to military assistance.

4. Transfer of Point Four to ECA would have serious implications for the United Nations program if it meant transfer of the control of the funds to be contributed to international organizations by the United States. Such a transfer would remove from the State Department responsibility for and control of a substantial segment of the work of the United Nations and the Specialized Agencies and of the Organization of American States, which are major instruments of American foreign policy. The technical assistance activities of these organizations are closely related to their regular programs from which they cannot be separated. It is not acceptable, therefore, for the

control of a program which, in some cases, is nearly as large as the regular budgets of the organizations to be placed outside the Department of State. To do so would terminate much of the responsibilities of the Department for relations with the United Nations and the Specialized Agencies.

5. The economic content of technical assistance programs and our relationship to this part of the work of the organizations cannot be separated from the political considerations which must govern our relations with the United Nations and the Specialized Agencies. Any such separation could jeopardize the coherence and consistency of U.S. policies in these organizations and thus seriously weaken the United States in an important segment of its foreign policy.

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A/MS Files, Lot 54 D 291, Point IV Organization : General

*Memorandum by the Technical Cooperation Administrator (Bennett) to the Under Secretary of State (Webb)*

[WASHINGTON,] May 18, 1951.

Subject: Organization and Administration of the Point 4 Program

I believe there is reason to be confident that the technical cooperation activities proposed in the 1952 foreign aid program will be regarded favorably by the Congress. We will be able to point to considerable accomplishment in spite of the short year, the recruitment and other difficulties and the necessity to build slowly and carefully the necessary foundation for such a long-range cooperative program.* More importantly we will be able to tell a good story on future outlook—in terms of (1) general bilateral agreements negotiated looking toward long-term cooperation for economic development, (2) progress of joint planning in the field, (3) reception of the program and willingness of governments to devote substantial efforts and resources to the program, (4) possibilities of increasing food production, and (5) plans for utilizing land grant colleges, private non-profit organizations and business firms on a broader scale.

We should immediately re-examine our organizational structure to determine what changes are required to enable us to operate this expanded Point 4 Program within the Department of State with the maximum effectiveness.

It has been argued that the State Department is incapable of administering an "operating" program—that in some magical way all operating problems would become simpler if such an organizational change were made. I do not understand this point of view. I should like us to meet that issue squarely and promptly.

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*All of our funds will have been obligated. [Footnote in the source text.]

There is no good reason why an operating arm of the State Department cannot function just as rapidly and effectively as any outside body. In fact the task of policy guidance and coordination is made easier by keeping the program within the Department's framework. But I believe that *the Department must be willing to give its "operating arm" the same authority and flexibility to function operationally as it would give to an outside operating agency.*

I recognize the necessity for placing upon the Regional Bureaus the central responsibility for determining basic over-all U.S. political and economic policies and objectives with respect to the countries within their regions, and for coordinating all of our programs affecting those countries. But I believe it is essential that TCA be given the initiative for program development and relative freedom in carrying out approved programs.

The pattern of organization and administration for Point 4 necessarily was laid down before I took office. During the months I have been here I have studied this pattern carefully. I am convinced that the program is suffering from an excessive dispersion of responsibility. Responsibility for detailed development of programs and projects and for general supervision of field activities is shared within State by TCA and the Regional Bureaus. Responsibility for recruitment of specialists, for getting approved technical projects underway and for technical supervision of field work is borne by a dozen participating Federal agencies.

Participation in our operations by many agencies has both advantages and disadvantages. It is unwieldy but it makes available to the program all of the resources and experience of the Federal Government. In the long run it will make for a better program. Some modification eventually may be necessary in the precise role of the agencies but any significant change at this time would be unwise.[1]

However, since we must deal with a great many U.S. agencies and private groups and with a complex of multilateral organizations it is imperative that we have within the State Department a highly centralized capacity for decision and action. I am the first to concede that the Administrator of Point 4 cannot and should not carry on his activities independently of the interests and responsibilities of others in the Department. He must work as a member of a team. There is no reason why this requirement of team work cannot be met and at the same time leave no doubt as to where the initiative and operating responsibility rest.

I am attaching as Tab A[2] a longer memorandum which outlines my organizational proposals in some detail. If you agree with this general approach, I would appreciate having Mr. Humelsine and his

[1] Marginal notation: "good idea to try the org[anization] within State first."
[2] Not printed. It is entitled "Outline of Organization to Provide for Effective Administration of Point IV Within the Department of State".

staff proceed with necessary discussions and action to give effect to these proposals. I hope you will agree with me in my feeling of urgency in this matter.

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A/MS Files, Lot 54 D 291 [1]

*Memorandum by the Director of the Management Staff (Heneman) to the Under Secretary of State (Webb)*

[WASHINGTON,] May 25, 1951.

Subject: Organization and Administration of the Point IV Program Within the Department of State.

We studied Dr. Bennett's reorganization plan contained in his memoranda to you of May 18, 1951,[2] and feel that the proposed changes are generally sound. We think it would be advisable, however, not to proceed with the necessary action to give effect to these changes until there is a firm decision on the agency responsibility for the operation of the Point IV Program. We understand that the President plans to refer the issue to NSC for decision and it may even turn out that the final decision will come only through congressional action.

Regarding Dr. Bennett's plan of reorganization, we would like to make the following comments:

1. *Program and Policy Formulation*—We agree with Dr. Bennett that there is a need for clarification as to who has the responsibility for developing programs and carrying them out within the Department. At present the responsibility for developing country programs rests primarily in the regional bureaus with the primary responsibility for carrying them out in TCA. These responsibilities should be centralized in TCA in order to permit a more effective operation of the program. The role of the regional bureaus should be limited to the review of the proposed programs developed by TCA for their effect upon U.S. foreign policies and objectives in the country or region involved. The regional bureaus should, of course, offer suggestions and give policy guidance with respect to the Point IV Program development in their areas. This is a fundamental change in the plan of reorganization and is a sound proposal in our opinion.

2. *Institute of Inter-American Affairs*—The plan proposes to integrate more closely the IIAA with TCA by reconstituting the membership of the board of directors and assigning the chairmanship to the administrator of TCA. We think that this is generally a good idea, but the Assistant Secretaries of Inter-American Affairs and Economic Affairs should remain on the board. The separate identity of IIAA should not be destroyed because of the good will it has created in Latin America.

Parallel regional institutes would appear to be desirable for operations in the eastern hemisphere. Under the present division of countries between TCA and ECA, however, there would not seem to be

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[1] Drawer 48, Folder "Point IV Organization: Reorganization of the Point 4 Program."

[2] Covering memorandum printed, *supra;* accompanying attachment not printed.

much point in considering the establishment of such an institute for South Asia and the Far East.

3. *Point IV Missions*—We agree that Point IV staffs in our missions ought to be established. However, the Point IV Mission Chief should be subordinate to the Ambassador and his communications with TCA should pass through regular State Department channels. In addition, the Ambassador should be charged with responsibility for the country program so as to achieve closer integration of the Point IV mission with the embassy. The necessary freedom of action by TCA can be secured through redefining responsibilities within the Department. This freedom of action combined with an adequate staff under the direction of the Ambassador should produce effective action in the field without the disadvantage of removing the program from the control of the Ambassador.

4. *Relationship with other U.S. Agencies*—We agree that some modifications will be necessary in the present management plan so as to provide TCA with greater control over the activities of other government agencies in the Point IV Program. As Dr. Bennett points out, however, it would seem more appropriate to undertake this problem after the position of TCA within the Department is redefined.

In addition, there are a number of small points that would have to be considered such as the necessity for assignment of positions by TCA to the regional bureaus to support the additional work load created by the program, post audit of program operations by regional bureaus, and others.

It is recommended that you give general approval to the proposed plan of reorganization, but suggest to Dr. Bennett that action to effect the proposed changes be deferred pending ultimate decision on the agency responsibility for the operation of the Point IV Program.

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A/MS Files, Lot 54 D 291 [1]

*Memorandum by the Under Secretary of State (Webb)* [2]

CONFIDENTIAL [WASHINGTON,] June 28, 1951.

Subject: Administration of aid programs in underdeveloped areas.

For guidance in the preparation of Congressional testimony concerning the proposed Mutual Security Program and for use in planning the administration of such program, the following is a summary of the Department's position with respect to the division of responsibility between TCA and ECA for the administration of economic and technical assistance in underdeveloped areas.

Only one United States agency should operate economic and technical assistance in any one country.

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[1] Drawer 49, Folder "TCA/Pt. IV Reports: Briefing Statements for Secretary, Undersecretary, and Director."

[2] Addressed to the Technical Cooperation Administrator (Bennett), the Director of International Security Affairs (Cabot), the Assistant Secretary of State for Congressional Relations (McFall), and the Assistant Secretary of State for Near Eastern, South Asian, and African Affairs (McGhee).

The division of responsibility between ECA and TCA will be based upon the nature of the proposed program in a particular country or region. If the program contains substantial amounts of economic grant aid for capital development, the entire program in a country or region including the technical cooperation segment will be administered by ECA. On the other hand, where the program consists primarily of technical cooperation in a country or region, it will be administered by TCA.

The final application of the above cannot be determined until the Congress has completed action on the proposed aid program. However, in order that testimony be complete and clear as possible, witnesses should be prepared to explain how the program as proposed would be administered in each country or area. The country responsibility would be as follows:

1. TCA would operate in Latin America and would continue to use the IIAA as an operating arm.
2. TCA would operate in the Arab States, Libya, and Israel, using the proposed new regional organization in the field. TCA would administer directly the technical cooperation program in Ethiopia and Liberia.
3. TCA would operate the technical cooperation programs in Afghanistan, Ceylon and Nepal.
4. ECA would administer economic and technical aid in Iran.
5. ECA would administer economic and technical aid in India and Pakistan.
6. ECA would operate the STEM type programs in Burma, Thailand, Indonesia, Indo-China, the Philippines, and Formosa.

I have discussed the above with the Bureau of the Budget and with Mr. Foster.

JAMES E. WEBB

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A/MS Files, Lot 54 D 291 [1]

*Draft National Security Council Staff Study* [2]

RESTRICTED [WASHINGTON,] July 18, 1951.

PROPOSED TRANSFER OF THE POINT IV PROGRAM FROM THE DEPARTMENT OF STATE TO THE ECONOMIC COOPERATION ADMINISTRATION [3]

THE PROBLEM

1. To make recommendations as to whether the Point IV program as defined in the Act for International Development (1950) should

[1] Drawer 49, Folder "Programs, Point IV."

[2] Circulated by the Office of the Counselor of the Department of State to the Under Secretary of State (Webb), the Deputy Under Secretary of State (Matthews), the Technical Cooperation Administrator (Bennett), the Deputy Under Secretary of State for Administration (Humelsine), and the Assistant Secretary of State for Inter-American Affairs (Miller).

[3] According to a covering memorandum of July 20, by W. W. Walmsley, Jr., of the Office of the Counselor, this NSC staff study was drafted by the Coordinator of the National Security Council Staff Assistants (Boggs), for consideration by

continue to be administered in the Department of State or should be transferred to the Economic Cooperation Administration.

ANALYSIS

2. As the "fourth point" relating to foreign policy in his inaugural address of January, 1949, the President proposed that the United States should embark on a cooperative program to extend technical assistance to the underdeveloped areas of the world. The Act for International Development (1950) provided the legislative basis for the Point IV program, the administration of which was established within the Department of State (in the Technical Cooperation Administration and the Institute of Inter-American Affairs). Recently the possibility has been suggested (NSC 110) that the President might recommend to the Congress the transfer of the present Point IV program from the Department of State to the Economic Cooperation Administration.

3. Any decision as to the future administrative location of the Point IV program must take into account the basic concept and purposes of the program as well as considerations of administrative efficiency. The Point IV program was intended "to aid the efforts of the peoples of economically underdeveloped areas to develop their resources and improve their working and living conditions by encouraging the exchange of technical knowledge and skills and the flow of investment capital to countries which provide conditions under which such technical assistance and capital can effectively and constructively contribute to raising standards of living, creating new sources of wealth, increasing productivity and expanding purchasing power," (Act for International Development, sec 403 (*a*)). In seeking to achieve these aims, Point IV is not only a significant economic program, but must also be regarded as an important political and psychological measure on the theory that economic progress and better living conditions, as well as the cooperative methods of technical assistance at the "village level" by which these results are sought, will promote political stability and popular morale, create attitudes favorable to the United States and render the people of the underdeveloped countries less susceptible to communist subversion. The Point IV program is thus an integral part of United States long-range foreign policy as well as a valuable support for current national security objectives.

4. Adherence to the original concept of Point IV would preclude close identification of that program with the defense and mobilization programs, or with large-scale overall programs of economic recovery

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the NSC staff assistants "in the near future", pursuant to an agreement of the Senior Staff of the NSC on June 28 at which time the Department of State was represented by the Under Secretary of State. The project was subsequently cancelled by President Truman on November 6 in view of enactment by the Congress of the Mutual Security Act of 1951.

549-782—79——105

and industrial development. It is of course recognized that the Point IV program can and should contribute to national defense in a variety of ways. For example, Point IV activities could be expected to aid in exploration for new sources of strategic materials, to strengthen the economies of underdeveloped countries important to the United States defense effort, and to elicit cooperation and good will toward the United States from the governments and peoples of such countries. However, if Point IV should come to be regarded by foreign governments and peoples as primarily an adjunct to the United States defense program, designed to stimulate the development and production of strategic materials abroad, it would lose much of its political and psychological effectiveness and be looked upon with suspicion as a cloak for colonialism. Further, the Point IV concept of helping communities in underdeveloped nations to help themselves through technical assistance over a relatively long period of time is essentially different from programs of rapid large-scale industrial development or economic recovery through temporary grants of assistance. It is therefore important to avoid any risk of subordinating Point IV purposes to the objectives of other foreign aid programs, as well as to avoid as far as possible any overt implication of a direct connection between Point IV programs and programs for military or strategic materials production.

5. Administration of the Point IV program within the Department of State would appear to be consistent with the concept of the program as a permanent element of foreign policy distinct from other assistance programs of limited duration and distinct from the defense effort. On the other hand, a transfer of Point IV to the Economic Cooperation Administration could be regarded as not entirely consistent with the concept and purposes of the program. Legislation to carry out the President's Point IV program is permanent legislation, whereas the Economic Cooperation Administration program has been regarded as being on a temporary or emergency basis and is now scheduled by law to terminate June 30, 1952. Although the President has decided to request revocation of this date, it is not now proposed to make the ECA a permanent agency. For the next several years ECA will be undertaking a major operating program in support of military assistance, particularly in Europe; and these defense-supporting activities have been publicly recognized as the major preoccupation of ECA. Hence, ECA, although it carries on technical assistance activities in connection with its economic development programs in many areas, is known at home and abroad as a temporary emergency agency focused on European recovery and increasingly identified with stimulating foreign military production in support of mutual defense efforts. There is therefore a risk that Point IV, if transferred to ECA, would tend to become identified in the minds of peoples and govern-

ments abroad with these characteristics of ECA, to the ultimate detriment of Point IV objectives. Conversely, continuance of Point IV administration in the Department of State would facilitate identification of the program as a peaceful and constructive long-term foreign policy activity.

6. From the point of view of administrative efficiency, it is possible that a transfer of the Point IV program to ECA would result in certain gains over a period of time. The ECA is now responsible for technical assistance as well as economic development with grant assistance in Southeast Asia and colonial Africa; current plans would extend like responsibility to South Asia and Iran. Under this arrangement, both ECA and the Department of State are carrying on technical assistance work, in some cases in the same region although never in the same country. While this does not necessarily result in direct duplication, transfer of Point IV to the ECA would establish a unified approach to the problem of technical assistance, focus in one agency responsibility for recruitment of technical aid missions, and place in one agency world-wide responsibility for the administration of U.S. foreign economic development and assistance programs. Moreover, expansion of ECA responsibilities to world-wide scope, including direct administration of all technical assistance and economic development grant aid, would constitute a step in the direction of the recommendations made by the Rockefeller Committee, the Brookings Institution, the Public Advisory Board of ECA and the International Chamber of Commerce, that the major foreign economic activities of the government be centralized in a single overseas economic administration. It has been argued that such a step would reduce administrative overhead and might make it easier to obtain Congressional support for overseas economic programs.

7. However, it is not certain that these possible administrative gains could be realized in practice; and in any event it is probable that they would become effective only after a considerable lapse of time. The administration of the Point IV program in the Department of State is a "going concern" with a well-established identity as a result of a year's activity in acquainting foreign governments and U.S. missions abroad with the potentialities of the program and in developing inter-departmental procedures in Washington. The initial result of a transfer would be a period of readjustment and possible confusion. In any case the Department of State could not be wholly divorced from critical responsibilities in connection with the Point IV program. Even if the program were transferred, the Department of State would need to continue to furnish policy guidance to Point IV planning, to provide essential services through its diplomatic missions abroad, and to see that a close relationship was maintained between Point IV and the United Nations technical assistance program. The

transfer of Point IV to ECA would not solve the problem of coordinating U.S. activities in a foreign country; U.S. foreign policy, defense activity and economic interests, and the foreign operations of all government agencies, would still require a measure of coordination.

8. In addition, the substantive operations required in carrying out the Point IV program must for the most part be performed by technical experts in the fields of soil conservation and utilization; plant and animal husbandry; forest and fisheries management; water control and use, including water supply, irrigation and reclamation, waterways, and power development; mining and fuels; health and welfare, including sanitation and nutrition; education, particularly fundamental, rural and vocational; man power training and utilization; industrial technology, facilities, and equipment; organization of business and finance; transportation; marketing and distribution. Technical competence in these fields is made available through the appropriate departments and agencies of the United States government, i.e., the Departments of Interior, Agriculture, Commerce, and the Federal Security Administration, and through the cooperation of private institutions and organizations. Regardless of the agency—whether the Department of State or ECA—in which the overall administration and coordination of Point IV is lodged, effective implementation of the program depends on continued contributions from these government departments and agencies and from private institutions.

9. If present arrangements were continued, there would be no duplication in the countries in which the Department of State and the Economic Cooperation Administration would operate. The Department of State would be responsible for administering the Act for International Development (Point IV), whereas the Economic Cooperation Administration would be responsible for administering economic aid programs in support of military programs and relatively large-scale foreign economic development programs, together with technical assistance in the countries where such programs apply. The State Department would not carry on technical assistance programs in Economic Cooperation Administration countries.

10. The above considerations on balance would appear to lead to the conclusion that the Point IV program should not be transferred from the Department of State to the Economic Cooperation Administration at this time. These considerations, however, are intended to apply only to the current proposal to transfer Point IV to ECA. In the event it were decided, as recommended in the Rockefeller and other reports, to establish an Overseas Economic Administration, headed by an administrator reporting directly to the President, for the unified and centralized conduct of all major foreign economic activities of the United States Government, a different problem would

be presented and it would be essential to review the administrative location of the Point IV program in the light of the status and functions of the new agency. It would also be necessary to review the administrative location of Point IV in the event the Congress, in connection with the pending Mutual Security Program, should take action pointing toward a change in existing arrangements for the administration of Point IV.

RECOMMENDATIONS

11. The Point IV program should not be transferred from the Department of State to the Economic Cooperation Administration at this time.

12. The administrative location of the Point IV program should be reviewed:

*a.* In the event it is decided to recommend the establishment of a new agency, such as an Overseas Economic Administration, for centralization and unification of the major foreign economic activities of the Government.

*b.* In the event action by the Congress on the pending Mutual Security Program renders such a review desirable.

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A/MS Files, Lot 54 D 291 [1]

*Memorandum Prepared in the Management Staff* [2]

RESTRICTED [WASHINGTON, October 18, 1951.]

Subject: Point 4 Regional Organization for the Near East

*Problem*

To resolve the difference between TCA and NEA as to whether there should be a regional office for technical assistance in the Near East.

*Discussion*

A. *TCA and NEA Proposals*

1. *TCA Proposal for Regional Coordination in Washington*

TCA proposes to appoint Country Directors of Technical Cooperation in each of the Arab states, Iran and Israel who will be responsible to TCA Washington on program operational matters. An Assistant Administrator of TCA in charge of the Near East Development Service (NEDS) will coordinate regional programs in Washington. In addition, TCA proposes to establish a pool of technical personnel at Beirut to be assigned for temporary duty as required by country programs.

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[1] Drawer 49, Folder "Point IV Program Administration: Point IV Program in the Near East Countries."

[2] Forwarded to the Under Secretary of State (Webb) by the Director, Management Staff (Heneman), under cover of a memorandum of October 18.

2. *NEA Proposal for Regional Director in Field*

NEA strongly urges the appointment of a Regional Director *in the field*, of at least ministerial rank, to whom the Country Directors would be responsible and who would supervise the technical pool at Beirut. He would administer the program in his area with a minimum of control from Washington.

B. *Opposing Arguments*

1. *NEA Arguments for Regional Director in Field*

*a.* Economic development in the Near East will involve international river systems which can best be dealt with on a regional level.

*b.* Coordination between the UN Palestine Refugee Program and Point 4 country programs could be facilitated by a field Regional Director.

*c.* To secure the services of men like Dr. Frank Graham, Gordon Clapp, and other highly qualified experts in the field of economic development for duty in the Near East, it will be necessary to give them responsibility for all Point 4 programs in the region, with a minimum of control from Washington. It is important to place such a man in charge of the program if the desired quick economic impact in the region is to be achieved.

*d.* The British used a highly successful regional organization in the Middle East for economic matters during the last war.

2. *TCA Arguments Against Regional Director in Field*

*a.* Appointment of a largely autonomous Regional Director in the field would deprive the Administrator of control necessary to carry out his responsibility for integration of all U.S. technical assistance programs.

*b.* River development projects are not, and may not be for some time, part of the program for the Middle East.

*c.* Coordination between Point 4 and the UN Palestine Refugee Program can be effectively achieved by a regional minister without placing him in the TCA line of command.

*d.* The concept of a high-powered regional organization in the field runs counter to the village-level, grass-roots approach of the Point 4 program.

*e.* Hostility between Israel and the Arab states makes impartial, country-by-country administration of programs imperative. In the absence of a basic political unity in the area, a regional merger of the Point 4 Programs might well prove detrimental to the total effort. For example, it would be difficult to fix a headquarters for the Regional Director without incurring the displeasure of one or the other side in the Arab-Israel controversy, or even without arousing jealousies among the Arab countries should one of them be selected for such headquarters. All countries, however, are willing to look to Washington.

*Recommendations*

1. That you determine whether Messrs. McGhee and Bennett have any further views on this matter they may wish to express to you.

2. If no further considerations come to light, the information presently available would suggest that you decide against the establishment of a Regional Director in the field because

*a.* The step would weaken the Administrator's control of Point 4 operations;

*b.* It would interpose an additional organizational layer in the TCA line of command which is not justified by the arguments advanced; and

*c.* It would create a field organization beyond the supervisory control of the Chiefs of Mission, with the possibility of another OSR type of operation.

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Under Secretary's Meetings, Lot 53 D 250 [1]

*Record of the Under Secretary's Meeting, October 29, 1951, 10:15 a.m.*

SECRET
UM N-413

POINT IV PROGRAM

1. In introducing the subject of the proposed reorganization of TCA, Mr. Webb explained that Mr. Heneman and his Management Staff are now assisting the Under Secretary as a specialized group of people who can make a study of a job to be done and come up with sound organizational and administrative proposals. In effect, A/MS is serving as a group of industrial engineers would in a large corporation. The proposed reorganization of TCA is a pilot model of that type of study which could take place in other areas of the Department.

2. Mr. Heneman reviewed the proposed reorganization of TCA and referred to an organization chart at hand to indicate the specific changes to be made. He pointed out that it was not until recent Congressional action had taken place that it could be decided how TCA should be organized and what job it had to do.[2] One of the primary problems is to determine how to set up TCA, as well as the regional bureaus, to handle Point IV matters. TCA is to be set up as a focal point in the Department on Point IV matters, and within this organization there are specific points of contact for the regional bureaus and the other agencies on their problems at hand. Originally, TCA was set up on a functional basis, but now the emphasis has changed to a geographic organization with certain technical and general staff functions. Mr. Heneman explained that there are two development services—one for Latin America and one for the Near East, with the possible establishment of one at a later time for Asia and Africa. One problem which A/MS faced in making their current study was the integration of the IIAA into the TCA operation. He pointed out that

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[1] The documentation relating to the Under Secretary's Staff Meetings is contained in Boxes 1644–1646. For information on the meetings, see footnote 1, p. 1671.

[2] This is a reference to the enactment and approval of the Mutual Security Act on October 10 (65 Stat. 373). In fact, there was no explicit reference in the legislation to the question of the *locus* of the TCA function and organization; the matter appeared in the context of references to the Act for International Development and the Secretary of State's powers and responsibilities relating thereto.

there would be duplication of staff and facilities, if IIAA were allowed to continue as is. Mr. Heneman pointed out that an effort had been made to keep the Washington organization as small as possible and only develop staff by responding to the needs from the field. With the Institute becoming a part of TCA, then the personnel and know-how already developed by the Institute could be utilized on a global basis. In other words, some of the people in the Institute would be utilized to assist in other areas.

3. Mr. Heneman pointed out that the Country Directors which would be set up in the field would be under the Ambassador. He also stated that the appointment of key people going to the field would be discussed with the responsible regional bureau. He stated that if TCA expands its procurement and supply functions, it would be necessary to set up an assistant administrator for this particular task, but at the present time the job does not warrant this position.

4. Mr. Heneman explained that this plan had been developed in consultation with the staffs of the regional bureaus, and it is hoped that the working relationships with the bureaus would be improved by this arrangement.

5. Dr. Bennett was asked to outline his ten-point program. He referred to the history of the development of the Point IV concept and his study of it within the Government and in the field. He listed the following ten points which form the basis for the Point IV program in under-developed areas:

*a. Greater food production*—He pointed out that the U.S. has done extremely well in its food production problems, because of our extensive borrowing of better seeds from other countries.

*b. Better animal husbandry*—Chickens to cattle can be improved by genetics and the prevention of disease.

*c. Fuel for cooking and heating*—In this regard he pointed out how trees could be grown very quickly and under most conditions.

*d. Better farm tools and implements*—Dr. Bennett stated that crop production could be increased 4 to 10 times with improved, simple hand tools. He pointed out how most of the food in the world is grown by the most primitive farm methods.

*e. Better use of land*—For example, much land is wasted by poor drainage. This land, if properly utilized, could be placed into timber and pasture.

*f. Improvement of basic transportation.*

*g. Improvement of water supply*—He pointed out how inexpensively water supply could be made safe for drinking and cooking. He also suggested how water supply could be utilized for industrial purposes and irrigation.

*h. Better health*—There are many specific remedies for the communicable diseases which affect vast areas.

*i. Basic literacy.*

*j. Survey of natural resources.*

In conclusion, he stated that these ten points offer the major emphasis for the Point IV program but do not necessarily serve as a pattern for each country. He pointed out that Liberia serves as an example of what an improved under-developed country can mean to us and to that country.

6. Mr. Rusk [3] stated that there is one point which might be added to Dr. Bennett's list, and that is improvement in the institutional structure of the country. Dr. Bennett agreed with this and stated that trainees now come to the U.S. to study our governmental techniques. In connection with this point, Mr. Webb added that much of the work which can be accomplished through the Point IV program must be through proper government leadership, and therefore the staffs for the government leaders should be developed as much as possible through our assistance. Dr. Bennett agreed and pointed out that bringing people to study our government departments and agencies is one way to do this.

7. Mr. McGhee stated that the Point IV program is an important tool in his area. Originally, the Point IV concept was not an adequate one to deal with the many problems, and so far it has not been effective. Starting about a year ago, we agreed to develop a larger economic assistance program for the NEA area. Because of recent Congressional action, we now have the means to carry this program out, and we must take advantage of it. Mr. McGhee felt that we must do this in order to avert a future catastrophe in his area, but the approach to the area must be from an integrated concept with a full understanding and appreciation of the political aims and problems at hand. We have the money, Mr. McGhee explained, to assume greater responsibility in the Middle East area, and we need to exercise this responsibility at once. He strongly urged that a Middle East Administrator be set up in the area, because each country can not be handled on an individual basis. He explained that this is the only area within NEA which needs such central control.

8. With respect to the IIAA, Mr. McGhee, because of his past experience with that organization, pointed out how effective it is in the field. He felt that its power and authority should not be diluted merely to achieve administrative consistency. Mr. Heneman assured Mr. McGhee that the IIAA as an organization was not being abolished but would be better utilized under the TCA reorganization.

9. Mr. Miller agreed with Mr. McGhee's comments on the Institute. He pointed out that he had not heard of the proposal discussed by Mr. Heneman and took exception to it. He stated that the creation of TCA did not facilitate the work of the IIAA, and he is very apprehensive of the proposal made by Mr. Heneman. With respect to the Country Director proposal, Mr. Miller reserved his position on

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[3] Dean Rusk, Assistant Secretary of State for Far Eastern Affairs.

this. He felt that in some cases a Country Director should report to the Counselor for Economic Affairs. The pattern for the Country Directors should not be the same for every country.

10. Dr. Bennett referred to his great respect for the IIAA and indicated his efforts to give the Institute freedom and to step up its program. He explained that the proposal was not to abolish the IIAA but was to reduce the Washington overhead by not duplicating staff. Thus, the top-flight people in IIAA could be utilized to help in other areas. Mr. Heneman emphasized that if the staff in IIAA is left intact, it would duplicate staff required in other areas. The value of the IIAA is recognized and the proposal made in the reorganization was not made merely for the sake of organizational neatness. Dr. Bennett assured Mr. Miller that the Institute would not suffer under his direction. Mr. Humelsine suggested that all of the "development services" be called "institutes". Mr. McGhee agreed that this would be a good idea, and Mr. Miller added that the name of the IIAA is invaluable in Latin America. Mr. Heneman agreed that the "development services" could be called anything desired. Mr. Webb pointed out that the "development services" are not "institutes". He pointed out that we cannot maintain separate corporations, such as the IIAA, because the tendency in government, in both the Executive and Legislative branches, is against this type of organization. Mr. McGhee agreed that it need not be a corporation but pointed out that an "institute" could serve as a focal point within the government for providing this type of aid to a certain area. In addition, he stated that it would be much easier to get a better man to become "president" of an "institute" than merely a "director" or "chief" of a "development service". Mr. Webb pointed out that the decision on this question of the "institute" was not final.

11. Mr. McGhee asked what progress had been made on the establishment of a regional administrator in the Middle East area. He felt that this administrator was needed immediately, and that further discussion of this problem was in order. Mr. Webb stated that no final decision had been made on this problem, but he indicated his reservations on the establishment of the administrator, especially as it related to our long-range interests and its possible effect on our Mission Chiefs. Mr. McGhee emphasized that the Middle East area is threatened and we have the money to do a job in that area. He felt that an immediate decision would be necessary to carry out the program required there. Mr. Matthews agreed that the proposed Middle East Administrator was a good thing, including the long-range aspects. It was pointed out that at lower levels substantial agreement had been reached that a regional office should be established, headed by a roving ambassador working on general aid programs. This roving ambassador, however, would not have immediate line authority. Mr. Webb

agreed that some decision should be made on this question, but at this time he was not convinced of the merits of establishing a Middle East Administrator.

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A/MS Files, Lot 54 D 291 [1]

*Memorandum Prepared in the Management Staff* [2]

RESTRICTED [WASHINGTON,] November 24, 1951.

REORGANIZATION OF THE ADMINISTRATION OF THE POINT FOUR PROGRAM

The passage of the Mutual Security Act of 1951 has removed the uncertainty regarding the future of Point 4 and at the same time greatly enlarged the program, both in area and in content. It is now urgent to provide an organization that can get on with the job and produce concrete results, particularly since the areas where the program is now are also those where the situation is most critical and the need the greatest.

The chief difficulties accounting for slow progress to date include, in addition to the long-continued uncertainty as to the program's scope and location: the basic division of program responsibility between the regional bureaus of the State Department, the TCA, the IIAA, and the other participating agencies of the Government; procedural delays at all stages; a fragmented functional approach both in TCA, Washington, and in the country projects in the field, resulting in no real country programs and in no focal points of responsibility for developing country programs; inadequate staffing in key program and functional areas coupled with an inability to make use of the available experience and competence built up by the Institute of Inter-American Affairs; and concentration on the technical assistance phase of Point 4 to the neglect of the investment and capital phase.

In addition to these problems already present, the new scope of Point 4 makes necessary greater emphasis on supply and construction activities, on preparation for possible further expansion into the Far East, and on coordination with other elements of the Mutual Security Program through the Director for Mutual Security.

To deal with these problems and make Point 4 work effectively within the State Department requires attack along three lines:

1. Reorganization to give TCA effective control over the total program and as large a measure of straight line operating freedom within the Department as is necessary for efficient operation.

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[1] Drawer 48, Folder "Pt. IV/TCA Organization: Intra/Inter Departmental Organizational Relationships".

[2] Circulated by the Director, Management Staff (Heneman), to the Department offices concerned on November 30.

2. Improvements in program and administrative procedures, both within TCA and in departmental supporting activities.

3. Clear division of responsibility along the "one country, one agency" lines between TCA and the other government agencies having programs in underdeveloped areas.

The principal features of the reorganization include:

1. *To give TCA more effective control over the total program.*

*a.* Shifting from the regional bureaus to TCA the responsibility for planning and developing country programs.

*b.* Giving the TCA Administrator a greater measure of authority and control over the activity of other Federal agencies participating in the Point 4 program. This involves revision of the present "Point 4 management plan."

*c.* Making the Institute for Inter-American Affairs an integral part of TCA and organizing it along geographic lines. This will eliminate duplication of technical and administrative services and permit the use of IIAA experience for other TCA programs.

2. *To emphasize a country approach to a country problem.*

*a.* TCA will be reorganized internally from a functional to a geographic basis with three regional divisions, one for Latin America (IIAA), one for the Near East and Africa, and the third for Asia. Functional units will be retained but will serve in a staff rather than a line capacity.

*b.* There will be established in each country a Point 4 Director who will be responsible under the supervision of the Chief of Diplomatic Mission, for planning and administering an integrated Point 4 country program.

3. *To make TCA an integral part of the Department*, fully responsive to Department policies and making maximum use of its facilities:

*a.* TCA in Washington will be fully responsible, like other Department units, to the Secretary, Under Secretary, and the Deputy Under Secretary for Administration; Point 4 policies will be coordinated with other Departmental aspects of the Mutual Security Program through a central focal point; the regional bureaus will review Point 4 programs and key personnel; and close lateral ties will be maintained between TCA and the functional areas of the Department especially concerned with the Point 4 program.

*b.* In the field, the TCA Country Director will be responsible to the Chief of Diplomatic Mission and will function as a member of his staff.

*c.* TCA will basically rely on appropriate central Department facilities for program support and administrative services, but existing Departmental procedures will be modified and adapted to whatever extent is necessary to permit speedy and efficient Point 4 operations.

*d.* Arrangements for field administrative support will be flexible, depending on needs and facilities in each country.

4. *To deal with new aspects of the program:*

*a.* A central Supply and Procurement Staff will be established in TCA to advise the regional services of TCA on programming of supply assistance and to work with OOF[3] on the actual procurement.

*b.* The new geographic structure of TCA will serve as a basis for possible future expansion into other areas and will also facilitate relations with the Director for Mutual Security.

*c.* A Special Assistant to the TCA Administrator will give more vigorous attention to the investment and capital aspects of international development, serving as a contact point with private organizations and other Government agencies on those matters.

5. *Primary emphasis in staff and in program operations will be in the field rather than in Washington.* Washington staff, both regional and technical, will be held to a minimum with priority going to getting people out into the field. Country programs will be developed and carried out in the field in close collaboration with the host governments and where possible through joint institutions. The Washington function will be essentially one of review, guidance and backstopping.

There are attached the following papers[4] describing in more detail the main features of the new set-up:

Tab A—A detailed description of the reorganized Point 4 administration.

Tab B—The revised internal organization chart of TCA.

Tab C—Functions of the offices and staffs in the revised TCA organization.

Tab D—Outline of steps in program development and administration.

Tab E—List of basic documents and Detailed Follow-up Projects on Point 4 Reorganization.

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[3] Office of Operating Facilities.

[4] Not printed.

# UNITED STATES POLICY REGARDING LAND REFORMS IN FOREIGN AREAS

811.16/3–2351

## *Policy Statement Prepared by the Inter-Agency Committee on Land Reform Problems* [1]

CONFIDENTIAL [WASHINGTON,] March 9, 1951.

### LAND REFORM POLICY*

Foreign policy, to be effective, frequently requires the support of active and progressive programs in other countries. Mere allegations

[1] This policy statement was transmitted to the Secretary of State on March 23 under cover of the following letter from Clarence J. McCormick, Under Secretary of Agriculture and Chairman of the Inter-Agency Committee on Land Reform Problems:

"The Inter-Agency Committee on Land Reform Problems, which was set up several months ago under my chairmanship, has prepared a proposed statement on Land Reform Policy which, under the Committee's terms of reference, is to serve as a recommendation to the Secretary of State on United States foreign policy with respect to land tenure problems.

I take pleasure in submitting to you the enclosed policy declaration—with the request of the Committee that you send me your concurrence, or suggested revisions, that it be recommended to the Secretary of State as a directive for United States policy in this field." (811.16/3–2351)

On April 11 Secretary of Agriculture Charles F. Brannan informed the Secretary of State by letter that the policy statement printed here had been approved by all the participating agencies in the Inter-Agency Committee on Land Reform Problems other than the Department of State. Brannan asked that the policy statement be accepted as official policy of the Department of State and be transmitted to responsible officials abroad. (811.16/4–1151) In letters of reply of April 10 and April 25, respectively, Under Secretary of State James Webb informed Under Secretary McCormick and Secretary Brannan that the Department of State was sending the Land Reform Policy Statement to American Embassies, Legations, and some Consulates for information, guidance, and request for suggestions for modifications. Webb's letter to Brannan specifically stated that the Department of State had approved the policy statement. (811.16/3–2351 and 811.16/4–1151) For the circular airgram of April 17 transmitting the policy statement to diplomatic and consular officers abroad, see *infra*.

This policy statement, with the revision indicated in footnote 2 below, was approved by the Inter-Agency Committee and circulated as a document dated March 19. The revised text was used in the Department of State circular airgram of April 17 and was circulated at the Under Secretary's Meeting as document UM D–142, May 10, as background for the discussion in the Under Secretary's Meeting of May 14; see the record of that meeting, p. 1671. A copy of UM D–142 was sent to George Elsey, Administrative Assistant to President Truman, on May 11 under cover of the following note from J. Robert Schaetzel, Special Assistant to the Assistant Secretary of State for Economic Affairs:

"George, I don't know whether this paper—and the continuing work in the land reform field—has been brought to your attention. It is a rare example of the Department's exploring a new field of international activity. It might also be a useful peg for a speech one day." (George M. Elsey Papers, Harry S. Truman Library)

The Inter-Agency Committee on Land Reform Problems under Under Secretary McCormick's chairmanship included representatives from the Department of State, the Department of the Interior, the Department of Labor, and the Economic Cooperation Administration. The papers of the Inter-Agency Committee have not been found in the central files of the Department of State.

*Land reform is concerned with improvement of agricultural economic insti-

against other ideologies are not enough to fulfill our positive objectives.

In most countries, including our own, economic progress and political stability are closely related to the prevailing system of agricultural economic institutions. In many areas present unsatisfactory institutional arrangements are a source of persistent discontent and unrest. This has been recognized in U.S. domestic policy and more recently emphasized in our foreign policy as illustrated by far-reaching land reform in Japan and support of land reform measures in Formosa.

*Policy Objectives*

1. The *basic* objective is to improve agricultural economic institutions in order to lessen the causes of agrarian unrest and political instability. This objective should be sought by improving the position of the farmer on the land to the end that he may have (*a*) greater security of tenure, (*b*) an incentive to increase production and conserve resources (including the utilization of technological advances suitable to each economy), and (*c*) an equitable share of the output.

(It is, of course, recognized that specific land reform measures will have to be evaluated in relationship to the conditions peculiar to each region and country.)

2. A secondary objective is to disengage "land reform" from the complex of ideas exploited by Soviet Communism, by making clear to the various peoples and governments of the world that genuine land reform can be achieved through their own governmental processes, and that steps in the direction of accomplishing the basic objective will receive U.S. support, as appropriate.

*Policy Guide*

The United States Government:

1. Will give encouragement and assistance to land reform when and wherever it will substantially contribute to promoting the objectives enumerated above.

*a.* Will take every opportunity [2] in both planning and administration of its foreign economic and technical assistance programs to encourage and assist desirable land reform measures.

*b.* Will also lend other practical assistance to desirable land reforms in addition to its economic and technical assistance programs.

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tutions, i.e. agricultural land ownership and tenancy, land rents, taxation of agricultural land or income from land, and also agricultural credit and producer marketing. Agricultural technology, physical problems of land utilization and development, conservation of resources, methods and levels of productivity, and problems of rural industries will be included insofar as they are relevant to the institutional problems enumerated above. [Footnote in the source text.]

[2] As subsequently revised by the Inter-Agency Committee, as transmitted in the circular airgram of April 17, and as circulated as UMD–142, May 10, the phrase "take every opportunity" was deleted from this paragraph.

*c.* Will actively encourage and assist in carrying forward land reforms in non-self-governing territories under U.S. administration and will be prepared, upon request, to work with other governments in connection with desirable land reform in such territories under their administration.

*d.* Will take every opportunity to support and encourage desirable land reform programs through all appropriate international agencies.

2. Will give extensive publicity, both at home and abroad, to accomplishments in support of land reform, and to progress in the U.S. and in other countries toward the above objectives.

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800.16/4–1751 : Circular airgram

*The Secretary of State to Certain Diplomatic and Consular Offices* [1]

CONFIDENTIAL WASHINGTON, April 17, 1951—12:55 p. m.

The Department wishes to draw the attention of certain Foreign Service posts to the following statement of U.S. policy regarding land reforms in foreign areas:

[Here follows the text of the Policy Statement prepared by the Inter-Agency Commitee on Land Reform Problems, March 9, *supra*, with the revision indicated in footnote 2 thereto.]

In recent public statements the President, the Secretary of State and the Secretary of Agriculture have stressed the interest of the U.S. Government in the "problem of the use and ownership of land, a source of misery and suffering to millions." In his speech at the UN General Assembly in New York, September 20, 1950, Secretary Acheson referred to this problem as an example of the kind of need to which members of the UN should direct their efforts. He called attention to the efforts of nations in many parts of the world to achieve a better distribution of land ownership and cited recent illustrations of democratic land reform in India, in Japan, and in the Republic of Korea. These examples "suggest what can be done on a cooperative democratic basis, by processes of peaceful change, which respect the dignity of the individual and his right to self-reliance and a decent livelihood. The result has not been what has been called land reform in certain other parts of the world—to collectivize the farmer and to

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[1] This circular airgram was sent to 70 missions abroad. It was drafted by Cleon O. Swayzee, Labor Adviser to the Assistant Secretary of State for Economic Affairs, and was cleared by officers in the Bureaus of European Affairs, Near East, African, and South Asian Affairs, Far Eastern Affairs, United Nations Affairs, Inter-American Affairs, and in the Technical Cooperation Administration. Swayzee was Chairman of the Department of State Committee on Land Reform Problems, which committee presumably participated in the drafting of this airgram.

place him under the complete control of the government instead of the land owner." [2]

In the UN General Assembly the U.S. gave vigorous support to the resolution on land reform adopted November 20,[3] and more recently has advocated study of the land problem in trust territories by a committee of the Trusteeship Council. On February 16, Secretary Brannan, in an official statement of U.S. views on the long-term program of the FAO, urged greater attention to the improvement of conditions of land tenure as a vital factor in getting increased production. FAO experience "has convinced us that production is greatest under conditions that promote the dignity and worth of the individual. We have found that in agriculture these conditions are best achieved when the individual can own the land he works, or has a security of tenure, when he can get the productive facilities he needs, and when he can market his products at a fair return to him."

It will be noted that in Secretary Brannan's statement of U.S. views, and in the policy statement, land reform has been defined broadly to include not only promotion of land ownership for the farmer but also provision for his security of tenure, whether as owner or tenant, for his access to cheap credit facilities, and for equitable marketing facilities for his product.

The policy statement indicates U.S. interest in land reforms wherever they may contribute to the economic and political stability of the free world. Accomplishment in support of desirable land reforms has naturally been greatest in areas where the U.S. has been in position to take an active part. In several countries land reform has recently been undertaken with the active encouragement and assistance of the U.S. In Japan three million farmers—well over half of all the farmers in Japan—have acquired land as a result of land redistribution initiated in 1946 by the Japanese Government with help from the American occupation authorities. In the Republic of Korea land reform programs undertaken with the help and stimulus of U.S. agencies had, prior to invasion, reduced tenancy among Korean farmers from two-thirds to less than half. Recent reports indicate that South Korean reforms carried out since invasion have enabled over one million farmers to acquire land, with a corresponding reduction in tenancy. In China, before the Communist seizure, the U.S. joined with the Chinese Government in setting up the Joint Commission on Rural Reconstruction. On the recommendation of this Commission land re-

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[2] For the full text of Secretary Acheson's address, see Department of State *Bulletin*, October 2, 1950, pp. 523–529.

[3] Regarding the General Assembly resolution under reference here, see the Position Paper for the U.S. Delegation to the U.N. Economic and Social Council, July 20, p. 1673.

forms were belatedly begun by the Nationalist Government. These are now being implemented in Formosa. In Italy, ECA funds have made possible the beginning of land redistribution and have helped to finance large-scale irrigation and reclamation works which are a necessary prerequisite to extensive land reform in that country.

In recognition of the U.S. interest and concern in problems of land reform abroad, an Interagency Committee on Land Reform was recently set up under the Chairmanship of the Under Secretary of Agriculture, with membership from the Department of State, the Department of Interior, the Department of Agriculture, the Department of Labor, and the Economic Cooperation Administration. This committee has been established to formulate recommendations to the Secretary of State on U.S. foreign policy in this field and on the direction and ways in which, the U.S. should exercise its political and economic influence to promote desirable land reforms.

The policy statement was approved by the Interagency Committee on Land Reform, and by the Department, as a general guide to U.S. policy on land reform. This general statement is to be supplemented by more specific consideration of land reform in countries in which the land problem is believed to be a source of serious present or potential unrest. The Interagency Committee has set up four regional working groups to formulate separate recommendations regarding countries in Latin America, Europe, the Far East, and the Near East, Africa, and South Asia. It is recognized that both the need for land reform and the possibility of U.S. influence on behalf of democratic land reform will vary widely from country to country and that exchange of views on specific programs with the country missions is essential.

The U.S. will continue to make known, directly and through U.N. agencies, its interest in desirable land reform. So far as possible, however, publicity will be aimed at exploiting specific accomplishments, rather than the reiteration of general intentions.

*Action requested.*

The Department requests:

(1) The transmission of pertinent information on land problems and land reform not already made available to the Department.

(2) Specific suggestions on practical application of this land reform policy in your area.

ACHESON

Under Secretary's Meetings, Lot 53 D 250

*Record of the Under Secretary's Meeting, May 14, 1951, 10:15 a. m.*[1]

CONFIDENTIAL

UM N-344

[Here follow two brief paragraphs summarizing the discussion of the use of Consultative Subcommittees and East-West trade.]

*Land Reform Policy* (UM D-142 [2])

3. Mr. Thorp reported that there is considerable pressure for doing something with respect to land reform. However, the implementation of our land reform policy is difficult when specific countries are considered. Mr. Thorp pointed out that land reform refers to "institutions", such as agricultural land ownership, rents, taxation, etc. He pointed out that a land reform program has been active in Japan, and approximately 90% of the farmers are now land owners. There has been an active program in Korea. The Joint Commission on Rural Reconstruction had been active and effective in South China before the Communists came there. There has been an active program in Formosa and ECA has been active in this field in Italy.

4. Mr. Thorp stated that an interdepartmental committee on land reform policy was established about three months ago and is chaired by the Department of Agriculture. This committee developed the general statement which is contained in UM D-142. At the present time four regional subcommittees have been set up to look into the specific problem of land reform in individual countries. Among these are the Philippines, Indonesia, Bolivia, Egypt, Iran and Pakistan. In the near future an international seminar will be held at the University of Wisconsin on this problem.

5. Mr. Thorp pointed out that the Soviets are very active in propagandizing their theme of land reform. It was pointed out that Mr. Barrett has a great interest in this respect. Mr. Thorp stated that since

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[1] Top officers of the Department of State met periodically, sometimes twice a week, under the chairmanship of the Under Secretary of State to discuss important foreign policy problems. Present for this meeting were Under Secretary of State Webb, Special Assistant for Intelligence W. Park Armstrong, Assistant Secretary of State for Public Affairs Edward W. Barrett, Acting Deputy Administrator for Technical Cooperation Johnston Avery, Director of the Bureau of German Affairs Henry A. Byroade, Deputy Legal Adviser Jack B. Tate, Assistant Secretary of State for United Nations Affairs John D. Hickerson, Deputy Under Secretary of State H. Freeman Matthews, Assistant Secretary of State for Near Eastern, South Asian, and African Affairs George C. McGhee, Assistant Secretary of State for Inter-American Affairs Edward G. Miller, Jr., Director of the Policy Planning Staff Paul Nitze, Deputy Assistant Secretary of State for European Affairs James C. H. Bonbright, Assistant Secretary of State for Far Eastern Affairs Dean Rusk, and Assistant Secretary of State for Economic Affairs Willard L. Thorp. This record was presumably prepared by the Committee Secretariat Staff of the Executive Secretariat.

[2] The same as the Policy Statement prepared by the Inter-Agency Committee on Land Reform, March 9, p. 1666.

studies are underway on a country basis, responsible officers should be assigned to help out in these studies.

6. Mr. Barrett pointed out that land reform is an important propaganda theme, but it is a difficult one to apply in terms of specific countries. It is easy to manage on a world-wide basis, however. He also pointed out that the Voice is attempting to expose the fallacy of the Soviet land reform line. Mr. McGhee emphasized the difficulty in applying a broad policy to individual areas because of conditions in those countries and the policies of the individual governments involved. He felt that the best opportunity to implement such a policy would be where indigenous movements start which could be encouraged by the U.S. Mr. Miller agreed and pointed out that the phrase "at their request" is an important one. He also suggested that it might be wise to make land reform an OAS operation. Mr. Rusk also agreed that this was a country-by-country problem and should be handled this way. He pointed out that land reform is only one of many things which we are attempting to accomplish. Others would include better industrial income, better civil service, etc. In certain countries land reform may be a low priority, and it should be weighed against other objectives which we are attempting to accomplish. He also suggested that we should not leave the impression that our land program in the U.S. is perfect. In this regard, Mr. Thorp pointed out that land reform is not just ownership and tenancy, but includes other things, such as marketing, credit, etc. He stated that this country had made a great deal of progress within the last ten or twenty years.

7. Mr. Hickerson agreed that this policy was a good one which could be followed in the UN. He stated that our line in the UN would have to be a general one, since we have to avoid appearing to intervene domestically in individual country problems.

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*Editorial Note*

In meetings of the United Nations Food and Agriculture Organization, the United States took the opportunity to reaffirm its interest in the land reform issue. In an address on June 12 to the Twelfth Session of the Council of the Food and Agriculture Organization in Rome, Under Secretary of Agriculture Clarence J. McCormick, the head of the United States Delegation to the Council, stated that the United States wholeheartedly supported the efforts of international organizations to assist rural populations and to extend land tenure reform.

"Land reform," McCormick explained, "in its broadest interpretation deeply affects security in the world today, and is definitely among the problems we must face up to in looking ahead to the future."

McCormick also stated the following:

"We in the United States regard land reform in the broadest terms of improvement of all economic and social institutions surrounding farm life. We believe it must be concerned with improvement in opportunity of agricultural land ownership and security of tenure, with problems of land rents, with taxation of agricultural land or income from land, with agricultural credit and producer marketing. In our broad definition of land reform agricultural technology, physical problems of land utilization and development, conservation of resources, methods and levels of productivity, and problems of rural industries are also included insofar as they are relevant to the institutional problems I have enumerated." (Department of State Wireless Bulletin, June 12, 1951, pages 10–12.)

There was considerable discussion of the question of land reform at the Sixth Session of the Conference of the Food and Agriculture Organization held in Rome, November 19–December 6, 1951. The Conference adopted a resolution, proposed by the United States, which urged FAO member governments to put into effect the land reform measures recommended in United Nations Economic and Social Council Resolution 370 (XIII), September 7 (see the editorial note, page 1681). The United States policy on land reform was set forth in an address to the Conference by Clifford R. Hope, Congressman from Kansas and member of the United States Delegation to the Conference session; for the text of that address, see Department of State *Bulletin*, December 17, 1951, pages 998–1000.

Documentation on United States participation in the work of the United Nations Food and Agriculture Organization is included in the Department of State's central files in file 398.03–FAO.

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IO Files[1]

*Position Paper Prepared in the Department of State for the United States Delegation to the 13th Session of the United Nations Economic and Social Council*[2]

RESTRICTED [WASHINGTON,] July 20, 1951.
SD/E/551

LAND REFORM
(Item 4(*c*))

*Problem:*

In Resolution 401 (V), adopted at the 312th Plenary Meeting, No-

[1] Master files of the Reference and Documents Section of the Bureau of International Organization Affairs of the Department of State, comprising the official U.N. documentation and classified Department of State records on U.S. policy in the United Nations.

[2] This was one of a large dossier of position papers prepared for the U.S. Delegation to the 13th Session of the U.N. Economic and Social Council, held in Geneva, July 30–September 21. Regarding that ECOSOC session and American activity there, see the editorial note, *infra*.

vember 20, 1950, the General Assembly of the United Nations recommended that the Secretary General, in cooperation with the Food and Agriculture Organization, and on consultation with other appropriate specialized agencies, prepare and submit to the 13th Session of ECOSOC an analysis of the degree to which unsatisfactory form of agrarian structure and, in particular, systems of land tenure, in the underdeveloped countries and territories impede economic development and thus depress the standards of living, especially of agriculture workers and tenants, and of small and medium-sized farmers.[3]

The resolution further requested ECOSOC to continue the analysis referred to above and to prepare recommendations to the General Assembly with a view to improvement of the conditions of the agriculture population, paying special attention to such measures as the following:

*a*) Institution of appropriate land reform;

*b*) Appropriate action on the part of the governments concerned to render financial aid to agricultural workers and tenants and to small and medium-sized farmers through cheap agricultural credit facilities, comprehensive technical assistance, and the promotion of rural cooperatives;

*c*) Construction or development, either by direct government action or suitably financed cooperative groups, of

i) Small factories and workshops for the manufacture, maintenance and servicing of the most essential agricultural machinery and for the storage of spare parts;

ii) Locally-based enterprises for the processing of agricultural products;

*d*) Taxation policies designed to lighten, to the greatest possible extent, the tax burden on tenants and small and medium-sized farmers;

*e*) Promotion of family owned and operated farms and of cooperative farms, as well as of other measures to promote the security of tenure and the welfare of agricultural workers and tenants and of small and medium-sized farmers;

The Report "Defects in Agrarian Structure as Obstacles to Economic Development" (E/2003) has been submitted to ECOSOC. What position should the U.S. Delegation take with regard to the conclusions and recommendations in the Report?

*Recommendations*

The U.S. Delegation to ECOSOC should:

*A*. Introduce or support a resolution by ECOSOC along the lines of the attached draft resolution.[4]

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[3] For the text of the U.N. Resolution under reference here, see Department of State *Bulletin*, December 4, 1950, p. 888 or *Yearbook of the United Nations, 1950* (New York, United Nations Department of Public Information, 1951), pp. 461–462.

[4] The attached draft resolution is not printed here. It was subsequently circulated to ECOSOC at Geneva on September 3 as U.N. Doc. US/E/285, September 5.

*B*. Comment on the substance of the Report as follows:

1. Support strongly the findings in The Report of the Secretary-General on Land Reform that for many countries the agrarian structure, and in particular the systems of land tenure, prevents a rise in the standard of living of small farmers and agricultural laborers, and that it impedes agricultural development both by preventing the expansion of the food supply and by causing agriculture to stagnate. In this connection, support the thesis that in addition to its importance to economic development and a rise in the standards of living of the population, land reform is essential to human dignity and freedom, as well as to social and political stability, which is a more general objective of the United Nations.

2. Indicate support for the conclusion of the Report of the Group of Experts on Methods of Economic Development on the need for land reform, without subscribing to all its observation (in particular with respect to paragraph 56, since the U.S. is not interested in class legislation and considers that the evils of landlordism referred to can be relieved through legislative and economic measures that will recognize the rights of all classes with respect to the land) and without accepting it as an adequate treatment of the subject (in particular with respect to the distribution of the tax load as it affects the various sectors of the economy including the cultivators of land, and as to institutional problems contributing to insecurity of land tenure).

3. With respect to the types of changes which would be desirable to effect land reform:

*a. Distribution of large holdings.* Indicate that we favor, and give support to measures aimed at achieving the distribution of large holdings of agricultural land, including state or public lands, through proper legal and economic measures, for operating in family size units wherever such operation will be economically and socially advantageous to the population.

*b. Tenancy.* While the U.S. believes that ownership is the most desirable objective, we recognize the finding in The Report of The Secretary General that tenancy is not in itself an unsatisfactory form of tenure where rents are not excessive and where security of tenure is safeguarded by legislation. But these conditions are generally lacking in underdeveloped countries where tenancy systems are characterized by exorbitant rental charges and lack of security of tenure. Urge that legislation be enacted and enforced to prevent the charge of exorbitant rentals on agricultural land and assure the cultivator security of tenure.

*c. Cooperatives.* Indicate that we favor genuinely voluntary cooperative societies organized for the purpose of enabling the small farmer members to benefit from new developments in techniques of production, large scale purchasing and marketing, credit facilities and from the experience they acquire in social consciousness and responsibility through the democratic process of managing common problems at local level. Indicate that we recommend encouragement and support by governments for these developments. By genuinely voluntary cooperative societies we do

not mean organizations joined under pressure and designed merely as a step towards collectivization, under which the independent cultivator is in fact converted into a worker in the employ of the state.

*d. Fragmentation.* Note that rational cultivation cannot be carried on where farm holdings are split up into numerous different plots scattered over a wide area. The laws of succession have a definite bearing upon fragmentation (according to The Report, the pressure of population appears to be the predominant cause of this defect in the agrarian structure). Cite that several countries (Jordan, Lebanon, India) have made commendable efforts, with some success, towards the consolidation of fragmented holdings, indicating the importance of making increased efforts along these lines.

*e. Settlement of title.* Note the findings in The Report to the effect that lack of clear title to land leads to continuous disputes over resources, perpetuates insecurity and encourages the waste of land, water, and manpower. It prevents the cultivator from access to more reasonable credit. Urge that the status of ownership be clarified and that procedures and facilities for surveying land, and establishing and registering title to land be expanded and improved so that the cultivator-owner may face a minimum delay in securing evidence of ownership rights.

*f. Fiscal Reform.* Stress the importance of fiscal reform, with special emphasis on the principle of progressive taxation, as a means of preventing the imposition of inequitable taxes and other related charges on the cultivator of land. Improvement in tax administration would by itself remove some of the inequities of the existing tax systems, and is essential for implementation of a progressive tax system.

*g. Agricultural Credit.* Stress the importance of credit to the small farmer at reasonable rates. Urge the promotion of cooperative and other facilities which will give the small farmer access to credit at the village or local level and which will at the same time provide him with guidance as to the best methods of using the credit and marketing his produce. Full advantage should be taken of existing public and private credit facilities in such promotion.

4. *Research and Education.* Support the conclusion in The Report that there is need for an increase in research and an extension of educational and welfare services to the rural population, and that cooperative societies can play a role in providing such services. In this connection, urge

*a.* The expansion and development of national programs of fundamental education as a means of permitting people to develop their individual capacities to the utmost.

*b.* The establishment or expansion of national services for agricultural research and for education of the individual producer in the technological and economic aspects of agriculture and rural life.

5. *Industrialization.* Recognize the thesis in The Report that in countries where the population pressure on the land is excessive, and where the density of the farm population is increasing, in addition to land reform, there is need for greater diversification of production if the problem of surplus labor on agricultural land is to be alleviated and for integration of land reform with economic development plans as a whole. In this connection, however, call attention to the following considerations:

*a.* To obtain more rapid results in improving the standard of living, even in countries with rural over-population, it is important that, without neglecting diversified economic development, immediate efforts be made to effect land reform and to improve techniques of agricultural production.

*b.* In some countries, particularly where inadequate natural resources limit the development potential of modern industry, the increase in population may thwart the favorable effect of economic development on the standard of living. Urge, therefore, that the problem of increasing the standard of living in countries with serious rural over-population be considered not merely as a problem of economic development but also as a problem of population growth. (The majority of the EED Commission considers that the Council, itself or through such organs as it may specify, should keep the relationship between population growth and economic development under study as a matter of importance.)

6. *Agricultural labor.* Emphasize the need for improving the economic, social and legal status of agricultural wage earners. In this connection, stress that in many countries the well-being of self-employed farmers and agricultural wage earners are inseparably interconnected, and that full success of programs aiming at benefiting the small farmer will require parallel and simultaneous improvement in the wages, working conditions, and legal protestations provided for farm wage earners.

7. *Rural Industries.* With respect to item 2(*c*), in GA Resolution 401 (V), refer to the need to encourage industries, both cooperatives and others, in rural areas through which farmers can utilize their spare time to supplement their income from the land. The construction or development of any particular industry, whether to provide employment and income or to meet a demand for certain type of commodities, however, should be promoted within the framework of an over-all program for the economy as a whole, taking into consideration needs, priorities, resources and the availability of capital, both domestic and foreign.

*Discussion*

*Report by the Secretary General—Findings of Defects in the Agrarian Structure.* The report prepared by the Secretary General in response to this request of the General Assembly shows that for many countries the agrarian structure, and in particular systems of land tenure, prevent a rise in the standard of living of small farmers and agricultural laborers and impede agricultural development, both

by preventing the expansion of the food supply and by causing agriculture to stagnate.

Among the features of the agrarian structure which the reports find to have most serious effects on the standard of living of the agricultural population and economic development are:

1) The uneconomic size of farms.
2) The maldistribution of land ownership with the concentration of large estates insufficiently utilized and the landlessness of a large part of the rural population.
3) The fragmentation of holdings.
4) The high rents and insecurity of tenure characteristic of many tenure systems.
5) Indebtedness and lack of adequate credit facilities for the small farmer.
6) Absence of settled title to land and water.
7) Plantation economies which offer low wages and no share in management to the cultivators.
8) Taxation policies which impose undue burdens on the small farmers and farm laborers, and
9) In general, an unsatisfactory set of incentives for rising and sustained agricultural production.

These features, however, are not all present or of equal importance in all countries.

*Possible Remedies for the Defects in the Agrarian Structures.* Although the report does not make recommendations, it considers the types of changes which appear likely to have beneficial results on production, on living standards and on investment. (It does not, however, consider the specific practical measures which would have to be instituted to carry these changes into effect.) It is rather cautious in prescribing remedies for the defects it has found in the agrarian structures, and limits itself to the observation that on the basis of the experience of several different types of reforms designed to remedy these defects, certain types of changes are likely to have beneficial results. In this connection, it observed that in the widely varying circumstances found in the underdeveloped countries, the measures noted for special attention in General Assembly Resolution 401 (V), while each of great value, are not all of equal importance for all countries and hence the recommendation of any special measure or group of measures cannot be expected to meet all situations.

According to the report, the changes in the agrarian structure which are likely to have beneficial results include:

*Distribution of Large Estates.* The distribution of large estates which are extensively cultivated and include much idle land to small farmers and farm workers for operation in smaller units.

The break-up of large estates which are intensively cultivated and are highly capitalized units of production would have adverse effect

on production, but so far as plantation crops other than sugar are concerned, the difference in yields between large and small farms is not great enough to outweigh the social advantages (more equal distribution of the products of the land, production of food to meet local needs, and increasing the volume and improving the conditions of employment) which would be gained by resettlement in smaller farms.

In countries where the relationship between population and land is unfavorable and where the density of the farm population is increasing, the distribution of land ownership may improve the condition of the farm population (increasing the cultivator's share of production) and may be a necessary step in the improvement of agriculture (increasing the cultivator's ability and willingness to invest), but it cannot overcome the disparity between land and population; it will not enlarge the small holdings, the average farm size will still be very small, and large numbers of uneconomic holdings will still remain.

*Consolidation of fragmented holdings.* See Recommendation *B*, 3, *d*.

*Agricultural credit-cooperatives.* The creation of special agencies to provide agricultural credit in appropriate forms. Cooperative societies would help toward meeting the credit needs of the small farmer, but in conditions prevailing in the undeveloped countries the multi-purpose societies would be more suitable than cooperatives devoted to a single purpose, like the extension of credit.

The report emphasizes that such multi-purpose societies to be effective in dealing with the social and economic needs of the rural people must operate at the local or village level. Specialized institutions or single purpose societies may be needed at the provincial and national levels to coordinate the activities of local societies and to specialize in particular problems affecting the province or the country as a whole.

*Settlement of title.* Where the lack of clear title is simply the result of administrative inefficiency, it is a matter which can be remedied by legislative action.

Where title to land has a communal character (as in the DOT's in Africa) and it is usufructuary rather than absolute, settlement of title is not merely a question of legal reform, but also a question as to what kind of tenure it is desirable to establish. This question, the report states, cannot be answered without consideration of wider social and economic issues and of the merits of various adaptations of traditional tenures used in schemes for cooperative cultivation.

*Water rights.* Adequate legislation on water rights so that the cultivator of land may have access to water as a right where shortage of water is the main factor limiting agricultural production.

*Tax reform.* Owing to the difficulties encountered in the administration of income taxation on agricultural activities, it would appear that while the long run objective should be the establishment of progres-

sive income taxation, there are other forms of taxation which are susceptible of short run reforms. Among these, the report suggests, are improvement in the administration of the land tax and enactment of specific tax relief measures applicable to small farmers.

Another objective of tax reform which the report suggests, is the promotion of cultivation by taxation of uncultivated land and by means of specific tax exemptions to encourage the cultivation of the more desirable products while discouraging less desirable products by heavy tax rates.

The report recognizes that reform of the tax structure must take into account the relationship between broader objectives of social and economic policy and the narrower aspects of tax machinery. Where governments are able to remove defects in the agrarian structure, the report adds, the tax burden borne by the cultivator is more tolerable, but the revision of an inequitable tax system ordinarily merits the attention of government simultaneously with other measures of reform.

*Research and education.* The report also emphasizes the need for an increase in research and an extension of educational and welfare services to rural communities. In this it envisages an important role for the cooperative societies. The cooperative movement can provide rural leaders as a link between the rural community and the government; it can act as a focus for many local activities and can stimulate the demand for health services, agricultural education and other rural amenities. Such demand, it observes, is the one essential condition for advance.

*The need for multi-sided approach to land reform.* In conclusion, the report stresses that changes in the land tenure system are more likely to lead to a rise in the standard of living of the farmer and farm workers when they form part of a general program for the improvement of the agricultural organization than when they are taken in isolation. Many of the benefits which might be expected from reform in the tenure system will be nullified if steps are not taken to provide appropriate facilities and services to the newly established small farmer either individually or as a member of an association.

*Legislation on rental charges and security of tenure.* In particular with regard to the problems of high rent and security of tenure, the report is not optimistic that legislative measures adopted for this purpose in isolation can be successful. It has found that under the conditions prevailing in many of the undeveloped countries (pressure of population on land) control of rent by legal restrictions as to maximum rates has proved extremely difficult to enforce. The same is true of legislation to provide conditions of secure tenure.

*Suggestions to governments.* The report ends with certain suggestions specifically directed towards governments in countries where agrarian conditions "constitute a barrier to economic development".

Such governments are urged to study agrarian problems in light of their own economic and social objectives and to base policy decisions on thorough scientific investigations. It also suggests that the relevant experience of other nations be examined. The opportunity for governments to avail themselves of the facilities of the United Nations and its specialized agencies is brought out strongly in connection with the need to assess the relative merits of measures already available and to coordinate possible measures with broader plans for economic development.

Additional material on land reform in specific countries, including Japan, Korea, the Soviet area, and Trust Territories has been made available to the Delegation.

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*Editorial Note*

In pursuance of United Nations General Assembly Resolution 401 (V), November 20, 1950 (see the Position Paper of July 20, *supra*) the United Nations Economic and Social Council at its 13th Session in Geneva, July 30–September 21, considered the question of land reform, particularly at its 533d to 541st plenary meetings, September 3–7. At its 541st meeting, September 7, the Council adopted Resolution 370 (XIII), which was based upon a United States draft resolution (E/L246/Rev 1) of September 3. For the text of the Council's Resolution 370 (XIII), the United States draft resolution, and an account of the Council's deliberations, see *Yearbook of the United Nations, 1951* (New York, United Nations Department of Public Information, 1952), pages 404–408. The position of the United States on land reform was set forth formally in a speech by Isador Lubin, United States Representative on the Council, at the Council's session on September 3; for the text, see Department of State *Bulletin*, September 17, 1951, pages 467–473.

During its Sixth Regular Session in Paris, November 6, 1951 to February 5, 1952, the United Nations General Assembly considered the question of land reform. The issue was considered in particular by the Assembly's Second Committee at its 176th to 180th meetings, January 7–10, 1952. A nine-power (including the United States) resolution endorsing the Economic and Social Council's Resolution 370 (XIII) was approved by the Second Committee on January 10 and was adopted by the General Assembly on January 12, 1952, as Resolution 524 (VI). For the text of the General Assembly resolution and an account of its passage through the Second Committee and the Assembly, see *Yearbook of the United Nations, 1951*, pages 409–

411. The United States position on land reform was set forth in a speech made in the Second Committee on December 20 by United States Delegate to the General Assembly Channing Tobias; for the text of the speech, see Department of State *Bulletin*, January 14, 1952, pages 63–66.

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811.16/9–1151

*Memorandum by the Acting Economic Operations Adviser of the Bureau of Near Eastern, South Asian, and African Affairs (Gardiner) to the Deputy Assistant Secretary of State for Near Eastern, South Asian, and African Affairs (Berry)*

[WASHINGTON,] September 11, 1951.

Subject: Public Statement on US Land Reform Policy.

*Background*

E has drafted the outline of a speech which it proposes be made by the Secretary, the Under Secretary, or the Assistant Secretary for Economic Affairs at the opening of the University of Wisconsin International Land Tenure Conference in October.[1] The Barrett Committee [2] will meet this afternoon to determine whether this or any other speech on land reform should be made at this time. It would like to know NEA's position.

*Discussion*

1) *General.* The President, the Secretary of State and the Secretary of Agriculture have at various times expressed this Government's interest in land reform. The US has taken a positive position on the subject at the UN General Assembly and at the current ECOSOC session in Geneva.[3] The Inter-Agency Committee on Land Reform has adopted a statement of policy which was sent to all missions abroad in April.[4] The President commented favorably on Japan's recent progress in land reform measures at San Francisco.[5] Mr. McGhee was

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[1] A copy of the draft outline under reference here has not been found; regarding the Conference on World Land Tenure Problems sponsored by the University of Wisconsin and the speech made thereto by Assistant Secretary of State Thorp on October 9, see the editorial note, *infra*.

[2] The reference here is to the Working Group on Public Relations, a Department of State committee under the chairmanship of the Assistant Secretary of State for Public Affairs Edward W. Barrett. The files of the committee have not been found in the holdings of the Department.

[3] Regarding the 13th ECOSOC session referred to here, see the editorial note, *supra*.

[4] See the circular airgram of April 17, p. 1668.

[5] President Truman discussed the progress of land reform in Japan in the course of his address in San Francisco at the opening of the Conference on the Japanese Peace Treaty, September 4; for the text of the address, see *Public Papers of the Presidents of the United States: Harry S. Truman, 1951*, pp. 504–508.

questioned on land reform at the recent Senate Foreign Relations Committee hearings. There has, however, never been a major address by a high Department official on land reform.

Under Secretary of Agriculture McCormick feels that he and Secretary Brannan have gone as far as they can in speaking on this subject without seeming to be usurping on the functions of the Department of State. I understand that Secretary Brannan is considering personally asking Secretary Acheson to speak at Wisconsin.[6] I also understand that on August 24, Mr. Webb agreed with Dr. Bennett [7] that the latter might ask the President to speak there.[8]

2) *Specific.* E, TCA and EUR favor a speech along the general lines outlined, i.e., a speech which would not imply promises for action which this Government could not fulfill but which would indicate that the US stands ready to provide economic and technical assistance, if requested, for the purpose of assisting land reform measures, that it will continue to support land reform through appropriate international agencies, and that it will continue to improve land ownership and tenant relationships at home.

P is undecided and is weighing imponderables, including the fact that Wisconsin is Senator McCarthy's territory.

ARA and FE are opposed to any speech on the subject by a Department official on grounds that it is inappropriate and gives land reform an emphasis out of proportion to its importance.

Among the NEA offices, SOA believes that a speech would not be advisable since (1) it would make the US Government seem responsible for anything said at this private conference and since (2) to continue broad generalities, which are all that can be said, might do more harm than good.

AF, GTI and NE believe the draft outline is a careful and good one. They believe the Department should help the conference get off

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[6] Secretary Brannan was not alone in suggesting that Secretary Acheson address the Land Reform Conference. On August 23 Labor Adviser Cleon Swayzee called on Senator James E. Murray of Montana and told him of the land reform policy that had been adopted by the Inter-Agency Committee on Land Reform Problems and of the plans then under way for the University of Wisconsin's international seminar on land reform problems. Swayzee asked Senator Murray for his reaction to the proposal that Secretary Acheson use the occasion of the Wisconsin seminar for a major address on land reform. Senator Murray indicated at some length his entire sympathy for the land reform program, heartily approved the Secretary's making an address on the subject, and volunteered to speak in the Senate in support of land reform. (Memorandum of conversation by Swayzee, August 23, 1951: 800.16/8–2351)

[7] Dr. Henry G. Bennett, Administrator of the Technical Cooperation Administration.

[8] President Truman did not speak at the seminar, but he did have occasion to address members of the seminar; see the editorial note, *infra*.

to a good start on its serious six-week consideration of an important problem. Some think that it would add to US prestige.[9]

*Recommendation:* That NEA support the proposal before the Barrett Committee that the Secretary accept the invitation to open the Wisconsin Conference or delegate some other Department official.[10]

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[9] Documentation regarding the views of other Department of State bureaus toward the draft outline of a speech on land reform has not been found in Department of State files.

[10] The source text bears the handwritten notation: "Approved by Mr. McGhee. Sept 11."

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*Editorial Note*

A Conference on World Land Tenure Problems, sponsored jointly by the University of Wisconsin, the Technical Cooperation Administration, and the Economic Cooperation Administration, was held in Madison, Wisconsin, from October 8 to November 17. The Conference was attended by representatives from more than 40 countries. On October 9 Secretary of State Acheson issued a statement to the press expressing interest in and support of the Conference. Acheson commented that the Conference was a "genuinely constructive fulfillment" of the spirit of the land reform resolutions adopted in the United Nations. In a lengthy formal address to the Conference, Assistant Secretary of State for Economic Affairs Willard L. Thorp reviewed United States support for the United Nations actions on behalf of land reform. For the texts of the Acheson statement and the Thorp speech, see Department of State *Bulletin*, October 22, 1951, pages 660–664. For an account of the opening of the Conference, see the Department of State Wireless Bulletin Number 245, October 8, 1951, pages 1–2, and 10.

Representatives to the Conference on World Land Tenure Problems made a brief tour in mid-November which ended in Washington. President Truman spoke to the representatives briefly on the afternoon of November 20. For the text of the President's remarks, see *Public Papers of the Presidents of the United States: Harry S. Truman, 1951*, page 632.

# UNITED STATES POLICY REGARDING THE DELIMITATION OF THE TERRITORIAL SEA AND RELATED MATTERS [1]

*Editorial Note*

Preparations for the Washington talks of March, regarding the territorial sea began in mid-1950.

[1] Continued from *Foreign Relations*, 1950, vol. I, pp. 875 ff.

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L/SPF Files, Lot 68 D 47,[1] Box 1594

*Memorandum by Mr. F. Garner Ranney of the Office of British Commonwealth and Northern European Affairs* [2]

RESTRICTED [WASHINGTON,] June 27, 1950.

Subject: British Proposal for Informal Talks re Territorial Waters

In discussing the British request for informal conversations regarding the present state of international law relating to territorial waters, reported in Mr. Chapman's memorandum of June 5,[3] it appeared desirable to have further clarification of British thinking and intentions on this matter. Accordingly I took up one or two points informally with Mr. Tebbit of the British Embassy,[4] who thereupon volunteered to state the substance of his instructions in a personal letter. In doing so, he wished me to point out that this information was for our confidential use only, was based largely on very informal communications received by the Embassy from the Foreign Office, and must not be taken as any definitive or official statement of the British position.

It will be noted that the proposed talks would deal chiefly with the question of the three-mile limit and policies which might be

[1] Files of the Office of the Assistant Legal Adviser for Special Political Functions, Department of State.

[2] Addressed to Wilbert M. Chapman of the Office of the Special Assistant to the Under Secretary of State for Fisheries and Wildlife (U/FW); Henry R. Labouisse, Jr., Director, Planning Staff, Bureau of European Affairs; Edward G. Miller, Jr., Assistant Secretary of State for American Republic Affairs; Livingston T. Merchant, Deputy Assistant Secretary of State for Far Eastern Affairs; Raymond A. Hare, Deputy Assistant Secretary of State for Near Eastern, South Asian, and African Affairs; John O'Gara, Deputy Assistant Secretary of State for Economic Affairs; Jack B. Tate, Deputy Legal Adviser.

[3] Memorandum not found in Department of State files.

[4] Donald C. Tebbit, Second Secretary, British Embassy.



549-782—79——107

adopted by the British, or jointly by the British and United States Governments, to uphold this limit. The Embassy, however, like BNA, is under the impression that the general state of international law and individual national practices relating to territorial waters would probably come under review in the course of such conversations.

A copy of Mr. Tebbit's letter is attached.

[Attachment]

*The Second Secretary of the British Embassy (Tebbit) to Mr. F. Garner Ranney of the Office of British Commonwealth and Northern European Affairs*

CONFIDENTIAL BY SAFE HAND WASHINGTON, 23rd June 1950.
Ref: 1271/19/50

DEAR GARNER: I am writing in response to your request for further clarification of the nature of the proposal about territorial waters which Mr. Fawcett and I recently put to you and Dr. Chapman.

2. His Majesty's Government attach the greatest importance to the maintenance of the three-mile limit, particularly in relation to neutrality in time of war, and with regard to fishing. While they are continuing to protest against any claims to territorial waters outside three-mile limits, they are concerned at the manner in which the practice of claiming greater limits is growing. The difficulties of arresting the practice are all the greater since it is quite uncertain whether the Hague Court would give a judgment in favour of the three-mile limit if a case were brought before it.

3. It was the hope of His Majesty's Government (and, we believe, of the United States Government) that the Hague Codification Conference of 1930 would end in a Convention being signed laying down that the limit of territorial waters was three miles. The fact that the Hague Conference broke up without producing any convention seems to have encouraged a number of governments to claim by their domestic laws territorial waters to a breadth greater than three miles. These governments seem to have felt that the absence of agreement at the Hague entitled them to take this action. Our feeling is that, while it may be difficult to prove that Ruritania is not entitled to claim more than three miles, it is equally difficult to prove that if she does so the United Kingdom, for example, is obliged by international law to accept her claim.

4. As you are aware, we at present have a case with Norway under examination by the Hague Court. Owing to the fact that the Scandinavian four-mile belt is really older than the three-mile limit, Nor-

way's claim to four miles would probably have been more difficult to defeat in the Court than any other claim in existence to a limit greater than three miles. For this reason in the Norwegian Fisheries case the question which the Court will be deciding is not the breadth of territorial waters but the manner in which the complicated coast of territorial waters may be measured. Roughly speaking, Norway contends that she may measure territorial waters by drawing long lines from headland to headland, thereby enclosing large areas of sea which (according to the United Kingdom view) are not territorial waters at all. We are somewhat afraid, however, that the greater the success of the United Kingdom on this issue before the Court, the more likely will it be that other States wishing to enclose wide areas of sea will adopt the method of claiming a wider territorial belt because the other method (that of drawing long lines from headland to headland) will have been declared wrong by the judgment of the Hague Court.

5. In future cases which may arise, however, it may not be possible to avoid the direct question of the breadth of territorial waters. In these circumstances we are considering what, if anything, can be done to render it more likely that a majority at the Hague Court would decide in favour of a three-mile (or at most a four-mile) limit in the event of a case being put to them in those terms.

6. With this object in mind we have been reviewing the tactics which the British delegates pursued at the Hague Conference in 1930. There were before that Conference drafts (which had a great deal of support) in the first place prescribing three miles as the breadth of territorial waters, and secondly admitting a contiguous zone outside the three-mile limit in which the littoral state could exercise jurisdiction over foreign shipping to the extent necessary to protect its revenue and fiscal interests. The French writer, Gidel (who was both a French delegate at the Conference and is, perhaps, the greatest authority on the international law of the sea) says in his book that if the ardent supporters of the three-mile limit, such as the United Kingdom, had chosen to accept the proposal relating to the contiguous zone, they would probably have succeeded in obtaining very wide acceptance for a Convention prescribing the three-mile limit for territorial waters. Gidel goes on to say that these Powers made a capital mistake in not doing so, particularly having regard to the fact that in the past practice both of the United States Government and the British Government there was ample authority for the view that the proposals relating to the contiguous zone did not go beyond existing international law.

7. The British Government have since 1930 protested against claims by other States to exercise jurisdiction in the contiguous zone. They

have, in consequence, found themselves in conflict with certain States about actions which they would not have had to challenge if the contiguous zone theory had been admitted. All these protests have been ineffective. Moreover, so far as we can see at present, there is no practical objection to the admission of the contiguous zone provided that its extent and what can be done there is carefully limited.

8. For all these reasons His Majesty's Government have under consideration the possibility of a change in their policy, namely the acceptance for the future of the contiguous zone as a means of strengthening the case for the three-mile limit. It can be demonstrated that a three-mile limit is not sufficient for the customs protection of a large number of countries; if, however, the contiguous zone is admitted, this objection to the three-mile limit falls.

9. If the British Government should decide to change their policy in this way, the question will arise as to the manner in which they should try to implement their decision. Our thoughts on this aspect are naturally not yet very far advanced but I think you should know that we do *not* think that it would be helpful to call another Conference on territorial waters.

10. Before pursuing the matter further, the Foreign Office would very much welcome the opportunity of a confidential exchange of views with American officials, particularly in view of the keen interest which they have expressed in the Norwegian Fisheries case. We have, therefore, been asked to ascertain whether the United States Government would like to engage in entirely unofficial and private discussions on this matter. If this suggestion should commend itself to you the Foreign Office would be prepared to consider sending someone over to Washington from the United Kingdom, like Sir Eric Beckett[5] or Professor Waldock who are perhaps more conversant with this question than anybody else on our side. The idea would be that they should meet and exchange ideas with one or two United States experts. I should like to emphasize that the conversations would be entirely unofficial. Nevertheless, we think that they might be of considerable benefit to both sides.

11. Although I have gone into this question at some length in order to make the position as clear as I can, I should be grateful if you would regard this letter as entirely unofficial and informal. I shall look forward to receiving your views on the questions which I have raised.

Yours ever, DONALD

[5] Legal Adviser, British Foreign Office.

700.022/7–1450

*Memorandum by the Assistant Legal Adviser for European Affairs (Yingling) to the Deputy Legal Adviser (Tate)*

[WASHINGTON,] July 14, 1950.

Subject: Informal Discussions on Territorial Waters with the British.

I called Donald Tebbit of the British Embassy and told him that we had considered the proposal in his recent undated letter for informal conversations on the subject of territorial waters between British experts like Sir Eric Beckett or Professor Waldock and one or two United States experts. I stated that we would be agreeable to such informal discussions if a convenient time could be arranged. Mr. Tebbit said that he had no definite idea as to the time but that while the matter was not urgent, he felt that their side would like to have the talks as soon as conveniently possible.

I then informed him that you would probably ask Professor Edwin D. Dickinson [1] to take part on our side and that the most convenient time for him would be about the middle of September just before he returns to his law school. Mr. Tebbit indicated that he thought that time would be entirely agreeable to the British but that he would put the matter up to London at once and let us know their views.

[1] Dickinson was Professor of Law, University of Pennsylvania, Philadelphia.

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L/SPF Files, Lot 68 D 47, Box 1594

*Paper Prepared in the Office of British Commonwealth and Northern European Affairs*

CONFIDENTIAL [WASHINGTON, July 17, 1950.]

*Problem:*

To determine the reply to the British request for informal talks on the present status of the 3-mile limit in international law relating to territorial waters.

*Discussion:*

Some time ago Mr. Tebbit and Mr. Fawcett of the British Embassy informed Mr. Chapman, U/FW, of the British Government's concern at present tendencies throughout the world to break down the 3-mile limit applying to territorial waters and requested informal conversations between their international law experts and ours on this subject. They emphasized that such talks would be entirely unofficial and technical in character and that there would be no suggestion of agreements

being reached by the two Governments, or any commitments given, during the conversations.

During subsequent discussion in the Department it became evident that further clarification was needed of British intentions regarding the nature and scope of the proposed conversations. Accordingly, in response to an inquiry from BNA, the Embassy sent us an informal letter, which is attached herewith, setting forth their understanding of the Foreign Office proposal.[1] The British state they believe that the maintenance of the 3-mile limit is of the greatest importance and they are concerned at the manner in which the practice of claiming greater limits is growing. The Foreign Office is presently considering what measures, if any, would be best designed to uphold the 3-mile limit. Among other devices, they are considering admitting a "contiguous zone" outside the 3-mile limit, in which the littoral state could exercise limited jurisdiction for revenue and other purposes. Before deciding on such a course the British would like to discuss the problem with us.

EUR favors our agreeing to hold the talks, on the grounds that it would be useful to hear the British views and to have an opportunity to comment on any action, such as invoking a doctrine of the contiguous zone, which they may contemplate. It is also possible that such informal talks, by contributing to a greater understanding of the current practices of the two countries in territorial waters, might lay the groundwork for further cooperation in upholding international law on this subject. Ambassador Jessup[2] has concurred in the desirability of having the talks and has suggested that the Department should bring in as a consultant some outstanding private authority on international law relating to territorial waters.

As raised by the British, the matter is primarily a legal one and EUR recommends that the action responsibility be assigned to the Legal Advisor's office. That office would presumably then arrange for the necessary coordination within the Department to ensure appropriate consideration of various related questions in this general field of interest to other offices in the Department. The following are examples of some of the related questions: the United Kingdom's case against Norway, now under consideration in the International Court; recent Icelandic claims to a wider belt of territorial waters, in which British interests are also involved; Swedish difficulties with the USSR in the Baltic; various problems in which we and the British are involved in the Persian Gulf; and numerous issues with Canada concerning jurisdiction over territorial waters. While it is not suggested that the scope of the talks should be broadened beyond what has been

[1] Reference is to Tebbit's letter of June 23, p. 1686.
[2] Ambassador at Large, Department of State.

proposed by the British, problems such as these may arise incidentally during the course of the conversations.

The Legal Advisor's office has, in the meantime, been in informal contact with the Embassy with regard to this matter and has proposed that these talks be held during the middle of September. Mr. Tebbit indicated that he believed that time would be agreeable to the British but that he would put the matter up to London at once and let us know their views.

*Recommendation:*

It is recommended that the informal preparations of the Legal Advisor's office be confirmed and that that office take charge of the conduct of the conversations, concerting their action with other interested offices of the Department.

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700.022/8–1050

*The Assistant Legal Adviser for European Affairs (Yingling) to Mr. Edwin D. Dickinson*

WASHINGTON, August 10, 1950.

MY DEAR PROFESSOR DICKINSON: We have now received the information from the British Embassy referred to in my letter of July 28, 1950 [1] with relation to informal conversations with the British concerning territorial waters.

The Embassy's letter reads as follows:

"The Foreign Office were glad to learn of your willingness to engage in informal talks with Sir Eric Beckett or Professor Waldock on the subject of Territorial Waters.

"2. I am afraid, however, that September will be too early for the talks because, to their regret, neither Sir Eric Beckett nor Professor Waldock will have time to come to Washington until the British reply in the Norwegian case has been deposited with the International Court of Justice. This would mean, I am afraid, that November would be the earliest possible date for the talks. What is more, we are not yet sure whether Professor Waldock will be able to get away until the end of the Christmas term at Oxford. The Foreign Office are checking this and have promised to write to us again soon when they hope to suggest an alternative date."

When we have more definite information concerning this matter I I shall again communicate with you.

Sincerely yours, RAYMUND T. YINGLING

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[1] Not printed.

L/SPF Files, Lot 68 D 47, Box 1594

*Memorandum by the Assistant Legal Adviser for European Affairs (Yingling)*

[WASHINGTON,] October 31, 1950.

Persons to be invited to a meeting in Mr. Fisher's Office at 2:00 p. m. on November 8 on the subject of Territorial Waters:

(1) Department of the Treasury—Captain Henry E. Sweet, ext. 660–662.

Captain Sweet will be out of the city at the time the meeting is scheduled but said that Mr. Gulick, his assistant, will be able to attend. Mr. Gulick's extension is Code 172, extension 663 or 2969.

(2) Department of the Navy—Commander Smith, JAG, extension 73002.

Will attend.

(3) Department of the Air Force—Major General R. C. Harmon, ext. 54747.

Mr. Yingling talked with General Harmon by phone October 31; General Harmon will decide and let Mr. Yingling know.

(4) Department of Justice—

Mr. Yingling talked with Mr. Clapp October 31. He will call Mr. Yingling and let him know. Justice returned call Nov. 1. Oscar or John Davis—Solicitor General's Office, Robert Vaughn—Lands Off. and Hertzel Plaine will attend.

(5) Department of the Interior—Mr. Milton James.

Will attend.

(6) Maritime Commission—Mr. Morse.

Will return Mr. Yingling's call of October 31. Mr. Morse or Assistant will attend accompanied by a legal officer.

(7) Coast Guard—Captain Moore.

Captain Moore said that Captain Stinchcomb will attend, Office of Operations, Coast Guard, unless advised to the contrary.

(8) U/FW—Mr. Chapman.

Mr. Yingling talked with Mr. Chapman. Mr. Chapman will attend.

(9) BNA—Mr. Ranney.

Will attend.

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700.022/11-1550

*The Assistant Legal Adviser for European Affairs (Yingling) to Mr. Edwin D. Dickinson*

[WASHINGTON,] November 1, 1950.

MY DEAR MR. DICKINSON: Reference is made to our telephone conversation of a few days ago at which time you indicated that you would be available for an informal interdepartmental conference on territorial waters.

We have arranged for representatives of other interested departments of the government to come to Mr. Fisher's office, Room 4264 New State Department Building, at 2:00 p. m. on November 8, 1950. We will look forward to seeing you at that time. I have arranged for travel requisitions to be sent to you.

Sincerely yours, RAYMUND T. YINGLING

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700.022/11-1450

*The Assistant Legal Adviser for European Affairs (Yingling) to Mr. Edwin D. Dickinson*

[WASHINGTON,] November 14, 1950.

MY DEAR MR. DICKINSON: Mr. Tebbit of the British Embassy called on Friday to inform us that the Embassy had just received a telegram from the Foreign Office stating that Sir Eric Beckett was ill and would not be able to come to Washington for the talks on territorial waters scheduled for December. Mr. Tebbit stated that the Embassy expected to be informed in a few days of proposals from the Foreign Office of a new date for the conversations.

It is obvious now that the conversations cannot be held until after the new year at the earliest, but I shall advise you immediately upon the receipt of any further information.

Sincerely yours, RAYMUND T. YINGLING

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700.022/2-2151

*The Second Secretary of the British Embassy (Tebbit) to the Assistant Legal Adviser for European Affairs (Yingling)*

CONFIDENTIAL WASHINGTON, 21st February, 1951.

Ref. 1271/17/51

DEAR MR. YINGLING: In confirmation of the message which I have already passed to you by telephone, I write to inform you that the Foreign Office are pleased to accept your suggestion that the talks about Territorial Waters should be held during the period March 22nd to March 27th inclusive. Sir Eric Beckett, Professor Waldock and Mr. Hanna are making their travel arrangements accordingly.

2. May I take it that, unless I hear from you to the contrary, the talks can begin on the morning of Thursday March 22nd? [1]

Yours sincerely, D. C. TEBBIT

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[1] Confirmation was sent by Yingling in a letter of February 26.

L/SPF Files, Lot 68 D 47, Box 1594

*Informal Record of Discussions Between Representatives of the Department of State and the British Government Concerning Legal Problems Relating to Territorial Waters, Washington, March 22 and March 23, 1951*

NOTE BY SIR ERIC BECKETT OF THE DISCUSSIONS AT THE STATE DEPARTMENT ON THE QUESTION OF THE LAW OF COASTAL WATERS

A day or two before the discussions began, I gave to the State Department the attached table, marked A, enumerating the points which we should like to discuss with them, in order that they might be able to arrange to have the appropriate experts present for the different points that arose.

2. We began the discussions on the morning of Thursday, 22nd March, and had two sittings, one in the morning and one in the afternoon. There were present on the American side Mr. Fisher, the Legal Adviser, Mr. Tate and Mr. Yingling of the Legal Adviser's Department, Professor Dickinson of the University of Pennsylvania, Mr. Ranney of the Office of British Commonwealth Affairs and, for part of the time, Mr. Byrns of the Icelandic desk. For the afternoon's meeting there were also present Mr. Gullick and Mr. Pomeroy of the Customs Bureau of the Treasury Department and Mr. Taylor of the Fisheries Division of the Department of State.

3. It was agreed on both sides before the discussions began that the purpose of the discussions was merely an exchange of information and ideas, it was hoped that this exchange would assist the Governments in the decisions which they would have to reach in the future on the various important developments in the realm of the international law of the sea which are now taking place. There was no intention of making any agreement. It was, however, agreed that both Governments were desirous of safeguarding the free navigation of the seas and in particular of maintaining the three mile limit of territorial waters.

4. We then proceeded to discuss the question of the breadth of territorial waters and in particular the policy which should be adopted with reference to claims by other states to belts of territorial waters wider than three miles. We explained our position, which is fully developed in pages 65, 66, 79 and 80 of the United Kingdom Reply in the Norwegian Fisheries Case which can be stated in a word as being that:

(1) the three mile limit is the generally accepted minimum limit to which all states are entitled;

(2) claims to a belt wider than three miles should be resisted save in the exceptional case where it is thought that a state can establish, on the basis of prescription, a title to a wider belt.

5. We explained that in the Fisheries Case we had admitted Norway's title to four miles on the basis that, in the very special facts of her case, she could establish her claim on the ground of prescription.

6. The American side, while appreciating that it might well have been expedient for the United Kingdom to take the line which they did in the litigation with Norway, were interested in the idea that a claim to a wider belt might be based on prescription, and in particular wondered what other states could establish claims to a wider belt on this basis. It was pointed out that Sweden was in exactly the same position as Norway but that there seemed to be no other country which had so strong a claim to a belt wider than three miles as Norway had. Perhaps Spain had the next strongest claim and the special case of Iceland is discussed below. On the American side they were at present particularly interested in the claim of Mexico to a belt of nine miles, a claim which goes back many years, which they suggested was comparable, though not quite so long standing as that of Norway. The United States had been considering whether it would be expedient for them to challenge Mexico's claim to nine miles before the Hague Court. There was then some discussion on what would be the probable decision of the Hague Court in a case where a claim to a belt wider than three miles was in issue. While it was agreed that much would depend on the particular claim which was in issue, the possibility was that there would be a majority decision of the Court at the present time upholding some claims to more than three miles. It was, however, pointed out that, if the United Kingdom was successful in its present case against Norway, a case which related to the base lines which could be drawn for the purpose of measuring territorial waters, it might be that the reasoning of the Court in reaching that conclusion would in fact afford some support for a subsequent challenge for a belt of territorial waters in excess of three miles, and therefore it was expedient that both Governments should study this judgment with great care from this point of view. If the United Kingdom was successful in the case against Norway it would probably be on the basis of the principle that no state is obliged to recognise a claim of another state to territorial waters going beyond a claim justified by principles of international law which have general acceptance, and of course it cannot be said that any claim to a belt more than three miles has general acceptance.

7. Reference was then made to the case of Iceland as a case which will make it necessary for the two Governments to reach conclusions as to the action which they will respectively take in the immediate future. Iceland has denounced the 1901 Fishery Treaty and has enacted legislation to come into force as soon as her notice of denunciation expires, under which she adopts a four mile belt for territorial waters and methods of measurement similar to those adopted by Norway. Ice-

land's notice of denunciation expires about October of the present year. Both Governments have already protested against Iceland's prospective claim to a four mile limit and to the manner in which she proposes to measure it. In the United Kingdom note reference was made to the fact that the Norwegian Fisheries Case would involve some of the same issues as those which were in dispute with Iceland and that it was then thought that the judgment of the Hague Court would be received in July next in sufficient time for discussions between Governments to take place before the new Icelandic legislation comes into force. Unfortunately, it now appears that judgment in the Norwegian Fisheries Case cannot be expected before December. I therefore suggested that it might be the best course for the two Governments, which had both protested against the new Icelandic legislation, to endeavor to persuade Iceland to defer the application of her new legislation until the judgment of the Hague Court in the Norwegian Case had been received. It was generally agreed that this course seemed expedient and it was suggested that, if the United Kingdom Government were of this opinion, they could, at a later date through their Embassy in Washington, ask the United States Government whether they would be prepared to address Iceland on the same lines. It was pointed out on the American side that there was no American fisheries interest in the waters round Iceland and the United States was really only concerned with the questions of principle concerning the breadth and measurement of territorial waters, and for political reasons the United States might not wish to make this matter a big issue between it and Iceland. Iceland probably had for 150 years been on a four mile limit. Then in 1901 Denmark brought Iceland into a fisheries convention of 1901 which provides for a three mile limit and while that Convention has been in force, Iceland has not, so far as I know, in fact claimed limit wider than three miles for any purposes against a state, though she may now argue that she adopted the three miles after 1901 merely as a concession for a particular purpose granted by convention.

8. We then turned to item (*b*), other questions affecting the measurement of territorial waters. It was pointed out on the United Kingdom side that the principles which we upheld were those contained in the report of the second subcommittee of Committee 11 of the Hague Conference, and further set out in the United Kingdom Memorial in the Fisheries Case. It was believed that these principles were those which the United States itself held to be correct and that the views of Mr. Boggs, the Geographer of the State Department, were broadly in line with those of Commander Kennedy of the Hydrographer's Department in the Admiralty on this question. It was therefore thought unnecessary to pursue this aspect further and it was also decided that

the question of artificial islands should be taken up later in connexion with the continental shelf.

9. We then proceeded to a discussion of the contiguous zone. I explained that, on this issue, we wanted to know particularly the United States position and therefore hoped we should be able to go into the matter rather thoroughly. We wanted to know the United States position particularly because the different Departments of H.M.G. had at the present time some difficulty in reaching an agreed view on the best policy to follow with regard to the question of the contiguous zone, and we hoped that the information which we would obtain from the American side might assist us in reaching a conclusion. It was agreed that the contiguous zone question had to be considered under different aspects, namely:

(1) customs and revenue;
(2) fisheries;
(3) defence; and
(4) pollution of the sea.

It was agreed to defer consideration of aspect (3) and (4) until tomorrow's meeting, when some representatives of the Department of Defense could be present.

10. Turning to the aspect of customs and revenue, discussions began with an explanation from the representatives of the Customs Bureau of the Treasury Department of the Anti-Smuggling Act of 1935. It was stated that the United States, continuously from the creation of the American Union, had had in its legislation provisions entitling the United States authorities to board, and if necessary to seize, all inbound vessels within twelve miles from the coast of the United States if it was thought necessary to do so for the purpose of preventing the evasion of customs and revenue laws. It was understood that this legislation was also applied against hovering vessels following enactment of the Tariff Act of 1922, except where treaties had provided otherwise. The effect of the Anti-Smuggling Act of 1935 is broadly as follows. This Act in the first place establishes as a customs zone all the waters within twelve miles of the coast. It also gives the President the power by proclamation to create customs enforcement areas opposite portions of the coast where there is reason to think that smuggling activities will be rife. A customs enforcement area may extend outwards as much as 50 miles beyond the customs zone and may extend for 50 miles on either side of the area of the smuggling threat. Inside the customs zone and in the customs enforcement areas, if they have been declared, the American revenue authorities may board and, if necessary, seize vessels of any flag suspected of attempting to smuggle goods into the United States. No customs enforcement area has in fact ever been declared under the Act of 1935 and therefore it cannot be said that there has been any international

acquiescence in the jurisdiction which is potentially conferred by this portion of the Act. As regards the customs zone (twelve miles), the United States authorities had only exceptionally found it necessary to use their powers in these zones, though on the other hand there is plenty of precedent for their exercise of rights within the twelve mile limit against inbound foreign vessels in the nineteenth century. The United States therefore has in force a unilaterally declared contiguous zone for customs purposes twelve miles wide, and it was agreed that the United States would not be in a position to object to other countries exercising similar rights against United States vessels within twelve miles of their coasts, though of course in this, as in other matters, objections can always be raised to an abuse of jurisdiction in any particular case. Owing to the fact that the President has not made any use of his powers to declare customs enforcement areas, the Americans were not sure that they would be precluded from objecting to similar measures put into force against American ships by other countries.

11. I explained that our particular interest in this matter arose because, the United Kingdom not having at the present time nor having had since 1853, any legislation for the exercise of customs jurisdiction outside the three mile limit, the Government of the United Kingdom's present position was that they denied the right of any state to exercise jurisdiction for customs purposes over British vessels outside the three mile limit, apart from agreement. It was indeed His Majesty's Government's insistence on this that caused the Hague Conference of 1930 on Territorial Waters to fail. Though His Majesty's Government had no desire at the present time itself to exercise customs jurisdiction over vessels outside the three mile limit, the question arose whether it was possible or expedient for His Majesty's Government to continue taking up the position of denying that international law gave states the right to exercise customs jurisdiction in the contiguous zone. Apart from the fact that the United Kingdom had itself exercised a contiguous zone jurisdiction until 1853, it was also the fact that the Privy Council had, in two recent judgments, gone out of its way to state in *obiter dicta* that, by international law, states were entitled to exercise such a jurisdiction. The question arose whether the United Kingdom gained anything by maintaining a point of view which was clearly contrary to that of the United States and indeed appeared to be supported by few, if any, other countries. In particular, the question arose whether the general policy of endeavouring to secure the three mile limit of territorial waters would be furthered if the United Kingdom ceased to dispute the validity of the contiguous zone. It was often objected to the three mile limit that it was totally insufficient for various particular purposes. It might be some answer to this objection if it could be said that a contiguous zone for necessary purposes was admitted. However, one of the difficulties about the contiguous zone

was the vagueness of its extent geographically and also the question as to what particular forms of jurisdiction could be exercised within it. A contiguous zone for customs and revenue might be more readily accepted if it could be said with some confidence that international law recognised it up to twelve miles and no more. It would become a more serious matter if states could declare contiguous zones for customs purposes of undefined and almost indefinite width. It was pointed out on the American side that, while on the basis of state practice there was a considerable ground for arguing in favour of a twelve mile limit and no more for customs and revenue purposes, such a limit might be inacceptable in regard to other matters such as defence (see page 9 below where it is agreed that the jurisdiction for defence purposes should not be placed on a contiguous zone basis). Even in regard to customs and revenue matters the United States would not be disposed to challenge a seizure of an American vessel by a foreign state outside the twelve mile limit in a case where a state had *bona fide* established a wider zone because its revenue protection actually required it, nor were they prepared to say that the President of the United States would in the future refrain from using the power given to him by the Act of 1935.

12. The discussion then turned to the question of the contiguous zone in relation to fisheries, and I explained that the United Kingdom was at present opposed to any contiguous zone jurisdiction in relation to fisheries (apart of course from agreement), whether the jurisdiction took the form of the enforcement of conservation measures or the reservation of fisheries to nationals. I referred to the tendency of Latin American states to claim a fisheries jurisdiction in the waters of the sea above the continental shelves which they had purported to annex and that, most regrettably, support *de lege ferenda* to this view was given by the Francois report and by the Secretariat memorandum, which was known to have expressed the opinion of Professor Gidel. I was, of course, aware of the Truman fishery proclamation but that, in the case of the North-West Atlantic, this had been implemented by the Convention of 1949, and there everything was done on the basis of the agreement of the interested states and no jurisdiction over the vessels of non-contracting states was asserted in the Convention. Thus Article 13 provided that, if the ships of states which were not parties came to the area and engaged in activities inconsistent with the conservation schemes, the remedy was to be by concerted representations to the Governments of the vessels concerned.

13. There was then a discussion of the Truman proclamation.[1] Mr. Taylor of the Fisheries Division stated that it was the policy of the United States to regard all fishing outside the three mile limit as a high seas fishery open to the vessels of every country. It was pointed

[1] See *Foreign Relations*, 1945, vol. II, p. 1528.

out on the American side that, up to date, no action under the Truman proclamation had been taken or was immediately contemplated against foreign vessels outside the three mile limit except on the basis of agreement with the states concerned. The United States Government hoped that it would always be able to deal with such cases on the basis of agreement. It was not possible, however, to state what action the United States Government might take in a case where conservation measures had been put into force in an area with the agreement of all Governments whose vessels were interested in the fisheries at the time of the enactment of the measures, and then the vessels of a country which hitherto had not participated in the fisheries appeared upon the scene, and the Government of the country in question was unwilling to make a suitable agreement. It was quite possible that, in that event, the United States would assert a jurisdiction against foreign vessels outside the three mile limit in the absence of agreement. If that were done, it was thought that the legal justification would be sought in the doctrine that international law should entitle countries which had long-established interests in a certain fishery and had made a "capital investment" therein to protect their interests and investment against newcomers. The protection would take the form of enforcing the conservation measures against the newcomers and would not take the form of excluding them from the fisheries.

14. The investment which should be protected would be:—

(i) In the case of fisheries such as salmon and sea trout, the measures taken on land and in the rivers to protect and improve spawning grounds and so forth.

(ii) The enforcement by Government vessels and so forth of limitations of catch in the interest of conservation.

(iii) The forebearance of vessels of the United States and of other states parties to the conservation measures from taking excessive catches in one season in order to improve the fishing prospects in later seasons.

In this connexion it was pointed out on the United Kingdom side that arguments (i) and (ii) seemed to be more forcible than argument (iii). It was recognised that conservation measures could always be abused and that a state under the guise of conservation might lay down measures which had the effect of favouring its own fishing vessels even to the extent of rendering it unprofitable for other fishing vessels to go to the point at all.

15. On the United Kingdom side it was pointed out that it might in fact be very dangerous to embark on enforcing conservation measures on the high seas against foreign vessels in the absence of the agreement of the Government concerned. If this were done and became recognised as permissible under international law, it by no means followed automatically that the right to do so would be limited to

cases in the Truman proclamation. It had been found already as a matter of experience that each Truman proclamation was followed by legislation of other states going further. As an illustration, it was pointed out that Iceland was anxious to lay down unilaterally conservation measures regarding fisheries off her coast. Of course, Iceland would have no right to do this under the principles of the Truman proclamation, but the United Kingdom anxiety was that if once the principle that you could enforce conservation measures on high seas on foreign vessels unilaterally was admitted, one could not be sure that the right would be limited to circumstances which the United States would think justifiable under the Truman proclamation.

16. As regards the claims that the continental shelf carried a right to control or reserve fisheries in the waters above the shelf, it was agreed that both the United States and the United Kingdom were opposed to this conception and should take all suitable opportunities to refute and oppose it. It was also mentioned that the United States had in force or in draft agreements for fishery conservation with Costa Rica and Mexico for the protection of the tuna fisheries. These agreements at present provided for investigation rather than conservation. On the American side it was admitted that, though it was unfortunate that the Truman proclamation in regard to fishing came out on the same date as the Truman proclamation with regard to the continental shelf, there was, in the United States view, no connexion between fishery conservation under the Truman proclamation with the continental shelf or for that matter with the contiguous zone.

*Friday, March 23rd, 1951*

The morning of the second day was devoted to a discussion of military defence zones and of the question of pollution. Captain Gladney, U.S.N., and Commander Emery Smith attended on behalf of the Navy Department.

2. The representatives of the Navy Department stated that defence zones had first been declared, they understood, in the Russo-Japanese war. The United States had declared two forms of defensive sea zones, (*a*) defensive sea areas, and (*b*) maritime control areas. The authority for creating defensive sea areas was statutory, the relevant Act being 18 U.S. Codes (old Code, Section 96), which had been passed in 1917 when the United States was still neutral but shortly before its entry into the war. The authority for creating maritime control areas, on the other hand, was the constitutional powers of the President as Chief Executive and Commander in Chief of the armed forces. The principle of both the defensive sea areas and the maritime control areas was essentially the regulation of shipping and navigation within the area for reasons of defence, and in general did not involve exclusion of shipping from the areas. Extracts from sample proclamations were read out confirming that the purpose of these defence zones is the

549-782—79——108

regulation of shipping, in particular by requiring ships to enter the zones only in daylight and to subject themselves to the supervision of the local naval authorities. (See the Proclamation 2543 dated 25th March 1942, published in the Code of Federal Regulations, titles 1 to 3, Cumulative Supplement page 293.) It was explained that the zones might vary in extent but some of considerable width had already been declared, for example the zone off Alaska extended up to 53 miles from shore. No less than 40 defensive sea areas had been declared during the Second World War and the Act of 1917 was still in force. One or two of the former defensive sea areas were still at any rate theoretically in effect, examples being the zones off Hawaii and Cuba. I then asked about air identification zones, some rumour of which had reached London. It was explained on the United States side that the new air identification zones are created under the Civil Aeronautics Act (49 United States Codes, Section 703). Under this Act the Secretary of Commerce, in consultation with the Secretary of Defence (or in the case of territories administered by the United States in consultation with the State Department) is authorised to establish zones in the air space above the territory or territorial waters and do not therefore involve any such concept as an extraterritorial zone. The executive order might perhaps give another impression but is misleading on this point. On the other hand, the United States representatives said that whenever a defensive sea area is declared, it carries with it an air control zone in the air space immediately above; for example, off Hawaii and the United States naval base in Cuba.

3. I asked whether there were any examples of enforcement of the defence zones against foreign shipping or aircraft. It was stated in reply that during the War the zones were enforced. It is thought however that at the present time no steps to enforce them are being taken.

4. In response to an enquiry as to the precise legal basis on which the United States would put the validity of their defence zones as against other states in the event of dispute, it was said that they were considered to be justified by the principle of an inherent right of self-defence. In this connexion the representatives of the Navy Department said that they had been somewhat concerned to find on page 5 of the Secretariat's memorandum what appeared to be a rejection of the existence in international law of a general principle of self-defence. It was pointed out that, in later pages of the memorandum dealing particularly with the Pan-American security zone, a position somewhat more favourable to the principle of self-defence seemed to have been taken up.

5. It was, however, pointed out on the British side that the more modern tendency had been to view with reserve any large applications of the principle of defence. For example, the Charter contemplated only cases where an armed attack occurs and the International Court

in the Corfu Channel Case had shown no inclination to treat the principle of defence as having any extensive application. Indeed, it had expressly decided that Albania could not invoke considerations of security to prevent the passage of warships even through its own territorial waters in an international strait, though it is probable that she could do so in ordinary territorial waters. It was agreed on the United States side that it is essential to limit carefully the concept of sea defence zones and the application of the principle of self-defence. A doctrine of this kind is a two-way doctrine and if abused by other states might lead to serious difficulties. The United States and Great Britain are great naval powers and while defensive necessities may in modern times require defence zones even by great naval powers, it is also true that great naval powers do not wish to have the freedom of their navies to operate on the high seas obstructed by defence zones decreed by small states who are taking no part in the conflict and in peace time at any rate there is the greatest difficulty in denying that small states can do the same as great states.

6. I then asked whether the United States regarded their defence zones as constituting a form of contiguous zone or as depending on an entirely distinct principle of self-defence. The United States representatives doubted whether the defence zones could properly be treated as forms of contiguous zone. Apart from the fact that there is at present no established law allowing these zones as contiguous zones, the concept of contiguous zone was inadequate to meet the needs of self-defence. Modern defence needs might require zones much more extensive than any hitherto contemplated under the concept of contiguous zone. It was, however, recognised that the defence zones have this in common with contiguous zones, that they were a special form of extraterritorial jurisdiction. It was pointed out on the British side that the fundamental principle of contiguous zones as explained in the leading case of "Church v. Hubbart" is the right of self-defence against imminent threat of violation of the laws of the coastal state. The United States representatives reiterated, however, that it is difficult to deal adequately with defence zones under the context of contiguous zones.

7. I then emphasised not only the need to limit the possible applications of the principle of the inherent right of self-defence in regard to defence zones but to have a fairly clear cut notion how to formulate our own view of the legal justification for defence zones. Otherwise in the event of disputes there would be no definite standpoint from which to protest against what we thought were abuses of the principle by other states. For example, I said (drawing on a possible inaccurate recollection of papers I had read some time ago) Nicaragua had recently, in a somewhat confused declaration, appeared to declare a defence zone against which we had protested. In another case Vene-

zuela had arrested a British oil tanker on the alleged ground that it had infringed regulations in a naval defence zone. This case had in fact been settled easily enough but in future cases it might be most important to have a clearly defined legal principle on which to take our stand against abusive action by another state.

8. The United States representatives agreed on the need for a definition and Professor Dickinson said that perhaps something on the following lines represented the substance of what they had in mind:—

"Defence areas are another form of justified exercise of protective jurisdiction outside territorial waters which, in its essential nature, does not admit of restriction to belts or zones precisely defined in anticipation of events. Areas where such protective jurisdiction may be exercised must be (1) related reasonably to demonstrable requirements of protection, (2) defined generally or *ad hoc* to keep inconvenience to other states at a minimum".

I said that this was an interesting suggestion which we would study.

9. The United States representatives reiterated the difficulty of dealing with defence zones under the context of contiguous zone. Professor Waldock suggested that the very name "contiguous zone" was unfortunate. The exercise of jurisdiction was not justified by the mere contiguity of the waters but by the need for protection against imminent threat of violation of laws of the coastal state. In the case of customs the zone might appear in the form of an even belt along the whole coast because such was the nature of the need in customs and revenue matters. The real justification for defence zones, however, was the particular threat and even in customs matters the United States, in the Anti Smuggling Act, 1935, had advanced the theory of special customs defence zones quite different from the normal customs zone of twelve miles. The United States representatives agreed that the phrase "contiguous zone" was not very happy and it was felt generally by both the United States and the British representatives that it is desirable to keep the concepts of the contiguous zone and of zones of defence quite distinct. If by treaty or in doctrine the two concepts were quite separate, it would diminish the risk of extraterritorial zones of jurisdiction developing into extensions of territorial waters.

10. The United States representatives raised the question of the British military areas in the two world wars and enquired on what basis we had tried to justify them. It was explained that, in the First World War, the North Sea military area had been declared rather as a counter measure against novel German naval operations than as a reprisal for illegalities. Our justification of the area had been fundamentally that the German operations had converted the area into an actual field of battle. Similarly, in the Second World War, our declarations of the Skaggerak and Kattegat and the North Sea, the Channel, the Bay of Biscay and other areas as war zones had been on the

basis that they were in fact areas of constant military operations between opposing combatant forces. We had during the Second World War asked the Navy Department for its view concerning war zones and had been informed that the United States considered it to be legitimate to declare areas of active military operations as "strategical areas", irrespective of prior illegal action by the enemy. It was also said that the distinction between the British and German war zones was that the British zones derived from the fact that the areas concerned were actually battlefields, whereas the German war zones were created for the sole purpose of facilitating the destruction of commercial shipping.

11. The conclusion was that in any answers the Governments might make to questionnaires from the I.L.C., it should not be admitted that there was any *contiguous* zone for defence and that any statement which might be made as regards claims to jurisdiction on or over the high seas for defence should be put in a form which indicated that this matter had no connexion with the so-called contiguous zone.

12. The discussion then turned to the problem of pollution and the possible need for protective zones in this connexion. It was pointed out that, under the League of Nations, it was proposed to conclude a Convention to deal with this problem, but the outbreak of the Second World War precluded the matter from being finalized. Notwithstanding this, certain countries had, it was believed, indicated that they would comply with the provisions of the suggested Convention which included a provision which *inter alia* prohibited the discharge of oil or oily waste within fifty miles of any coast. The British Navy had a prohibition to this effect in King's Regulations. The proposed Convention would not have established a contiguous zone jurisdiction but contained a set of model regulations which, it was suggested, each state should apply to its own shipping. The question has recently been raised again in the Transport and Communications Committee of the United Nations Organization and member countries are being circularized with a questionnaire of the matter. It was stated that a contiguous zone jurisdiction in regard to pollution might carry risks of abuse and it was also pointed out that the enforcement of anti-pollution regulations was, in the nature of things, extremely difficult. It was agreed that further thought would have to be given to this question and it was said on the United States side that if no agreement could be reached for a Convention concerning pollution it might be necessary to accept some exercise of jurisdiction by the littoral state and if that were done it might be regarded as a kind of contiguous zone jurisdiction.

*Afternoon meeting, Friday, March 23rd, 1951.*

As the first subject of discussion at this meeting was the continental shelf, Mr. Vaughan of the Department of Justice, which is much con-

cerned with the litigation in the United States in which the continental shelf is involved, came to assist at the meeting. The meeting began by considering the following formulation of the principles of international law with regard to the continental shelf which I had prepared after studying a good deal of writing on the subject:—

"The littoral state has an inchoate right over the adjacent continental shelf, a right which it may perfect by appropriate formal annexation or declaration and by thenceforward exercising vigilance to enforce its claim against others: that the shelf, while open to acquisition by the littoral state, is not open to acquisition by other states unless the littoral state allows other states to acquire prescriptive title. For this purpose the continental shelf is deemed to include all sea bed and sub soil where the depth of the water is 200 metres (100 fathoms) or less whether or not there is steep descent to greater depth at about the 100 fathom line. (Secretariat memorandum—pages 93–5). (I.L.C. Report pages 198–201). The shelf includes the surface of sea-bed as well as sub-soil."

2. It was the general opinion of the meeting that this formulation of principles was one which both on strictly legal as well as other grounds might be conveniently adopted. It was agreed that there was nothing in this formulation which conflicted with any part of the Truman proclamation, though it clarified certain points which were not dealt with in the Truman proclamation. Under this formulation the continental shelf is not *res nullius* open to acquisition by occupation of any state. The littoral state has *ipso facto* a certain right over its shelf, but in order to perfect that right it should issue a declaration or other formal instrument making its claim to the shelf. The littoral state's right might be regarded as an inchoate right analogous to that given by discovery and in this way might be expressed in terms already familiar and recognized in international law. On this basis, a third state could only acquire rights in the littoral state's continental shelf by agreement or by prescription, i.e. by the littoral state taking no action against an encroachment on its continental shelf. The formulation proposes the arbitrary figure of 100 fathoms as the depth beyond which the continental shelf should not be held to extend. It was agreed that there was much to be said for urging the adoption of this arbitrary figure in the same manner as there had been more than a century ago for the adoption of the equally arbitrary figure of three miles as the breadth of territorial waters. As far as was known, there was no chance of effective exploitation of resources of the sea bed and subsoil in the reasonably immediate future when the sea bed lies more than 100 fathoms (which is over 600 feet) below the surface of the sea. On the other hand, the formulation does not make the existence of a steep descent round about the 100 fathom line a *sine qua non* for the existence of rights over a continental shelf so that, for this purpose, shallow seas like the Persian Gulf or the English channel

have below them a continental shelf which extends from shore to shore. It was agreed that the shelf must be deemed to include its surface or in other words the bed of the sea and that the minority views of those publicists who would make the bed of the sea part of the sea rather than of the shelf must be opposed.

3. In the discussion of this question there was mentioned a case which occurs sometimes where, on the seaward side of the continental self, beyond the point where the continental shelf ends, the sea bed again rises to form a submerged plateau which rises above the 100 fathom line. It was agreed that, to produce a doctrine which would allocate such submerged plateaux to one state or another would produce a great legal complication and indeed this could hardly be done without introducing a maximum breadth from the coast line within which isolated submerged plateaux would appertain to the nearest littoral state. It was most undesirable to introduce the principle of this maximum breadth from the coast because that would be lending support to the doctrines of the Latin American states on the western coast of South America, who are asserting claims to the sea bed and sub-soil within a radius of 200 miles from the coast irrespective of depth, a conception which it was agreed the United States and the United Kingdom should oppose. The claims of Chile and Peru have attracted some sympathy in the I.L.C. on the ground of inequality because on the shelf doctrine these states get nothing because the sea bed falls below 100 fathoms almost immediately. The answer of course is that geography always has and always must create inequalities in its legal consequences. Further, from the practical point of view, although there exist one or two of these submerged isolated plateaux within not too great a distance from the coast of the United States, there would be no advantage from a practical point of view either to the United States or to the United Kingdom in adopting a doctrine which attributed automatically these plateaux to the littoral state. The exploitation of these isolated submerged plateaux seems likely to be an extremely difficult problem anyhow, and almost certainly commercially impossible except by the country nearest to whose shores they lie. There would be no chance from the practical point of view of another country getting in first and exploiting an isolated submerged plateau more or less adjacent to the coasts of the United States. Only a country with much capital and technical knowledge and experience could exploit such an isolated submerged plateau and the only countries which would stand to gain by the adoption of some principle which attributed automatically to the nearest littoral state a submerged plateau would be the weak and less developed countries who, in their case, might with more reason fear that more developed countries like the United States or the United Kingdom would be able to get in first and exploit an isolated submerged plateau off their coasts. It was therefore thought

that, from the practical point of view, there was no danger to either United States or United Kingdom interests in the adoption of the theory that the isolated submerged plateaux were *res nullius* open to acquisition by the occupation of the first occupant.

4. There was then discussion on the nature of the rights which a state should have over its shelf, whether the right should be that of sovereignty or whether it should be a right of jurisdiction and control over the resources in the shelf. It is the second conception which is to be found in the text of the Truman proclamation. On the other hand, the orders of proclamations or other instruments issued by other states regarding the continental shelf all adopt the first doctrine, including all the Orders in Council issued by the United Kingdom and the proclamations of the British protected states in the Persian Gulf. It does not seem to be very clear on the United States side why the Truman proclamation did adopt the second conception, though it appears that two factors may have contributed to it. The first factor was an idea (for which I can find no support and it did not appear that most of those on the United States side thought there was much support for it either) that, if sovereignty was claimed over the shelf below, there would follow from that automatically some change in the position of the high seas above, but that no such change would follow from an assertion of jurisdiction and control over the resources in the shelf below. A second factor may have been expressed in the phrase that 'sovereignty and ownership go together'. Insofar as this idea was influential, it raises questions which only have any application within the sphere of the domestic law of the United States. Sovereignty and ownership do not go together so far as international law is concerned. Indeed, international law as such has nothing to do with ownership, which is a creature of municipal law and not of international law. Under the United States Constitution, however, and as between the Federal Government on the one hand and the state governments on the other hand, this dictum may have some practical application. It was not the case, however, as we at one time thought, that the reason for the adoption of the second conception in the Truman proclamation was the fact that, under the Constitution of the United States, the President could not have declared the shelf under the sovereignty of the United States without the participation of Congress.

5. It was clear on the United States side that, whatever actual words the Truman proclamations used, they intend to exercise virtually the same powers and rights which they could have exercised if the proclamation had declared the shelf under the sovereignty of the United States, and it was not thought that the fact that the United States on the one hand was pursuing the conception of jurisdiction and control over natural resources and the United Kingdom and other coun-

tries were pursuing the conception of sovereignty over the shelf would be likely to lead to any conflict which would make it desirable to resolve the difference by one country or the other abandoning the conception on which it was working. It was pointed out that the conception of sovereignty over the shelf is simpler in various ways. In the first place it is easier to deduce from and attach to the existing corpus of international law. In the second place it does not introduce such a totally new conception in international law as a state's right to control the exploitation of natural resources in an area which is not under its sovereignty. A divorce of mineral rights from ownership of land is known to municipal law but no such divorce is at present known to international law. Further, a conception of sovereignty over the shelf automatically solves certain subsidiary questions which arise, such as criminal jurisdiction over acts done in the exploitation of the shelf. For instance, a murder committed in a tunnel lying below the shelf, whereas under the other conception the same result may be desired but it does not follow automatically by the application of existing principles to the situation. Further, the conception of the possession of jurisdiction and control over mineral rights without sovereignty over the grounds where the minerals are being exploited is quite new in international law. The right to do whatever is necessary to protect your mineral rights is to say the least of it something which cannot be deduced from existing principles of international law.

6. Some consideration was then given to the question of the effect which the right to the continental shelf has on navigation in the waters above the shelf, and in particular the question of interference with navigation by the artificial structures which are erected extending from the surface of the shelf to above the surface of the sea over it. It was agreed that this is a question which should be solved on the footing that neither the right of exploitation of the shelf nor the right of navigation over the high seas automatically took precedence of the other in any case of possible conflict that arose. The principle was rather that there must be no unreasonable interference with navigation.

7. The principle that there should be no unreasonable interference with navigation is fully realised and indeed applied by the United States in those areas where such artificial structures exist off the coasts of the United States. Thus, the War Department, which in the United States system is concerned with coastal navigation, can exercise a control over the structures erected by United States oil companies and can and does on occasion require that their structures are placed in one position rather than another, even though this may require the drilling for the oil to go down obliquely instead of vertically and other requirements in the interest of navigation are in force.

8. There was then discussion with regard to the artificial structures erected for the purpose of exploitation of the shelf and after that to the question of artificial islands in general. It was agreed that the artificial structures for exploitation of oil should not be considered as islands carrying a belt of territorial waters round them. They are for the most part erected on piles. If the analogy can be made at all, they are regarded as similar to a permanently anchored vessel and jurisdictional and other questions are determined on that basis. At present the United States has made no special claim to any jurisdiction or control over the waters immediately surrounding these structures, but it is noted that the International Law Commission has suggested that these structures should be surrounded by a security belt, perhaps about 500 yards radius. The meeting was of the opinion that if this notion of the security belt were adopted, it should not take the form of a narrow belt of territorial waters round the structure, that is to say, an area of water which is under the full sovereignty of the state to which the structure belongs. On the contrary, it should be a small area in which the state, to which the structure belongs, would be able to exercise a jurisdiction strictly limited to the prevention of occurrences which would endanger the structure or the operations conducted there, the analogy, if any, being rather to the limited jurisdiction exercised in a customs zone or defence area. The Americans told us that though it may be that practical issues will render it necessary for them to take up a position and perhaps legislate with regard to the waters immediately surrounding these structures, they have not yet devoted a great deal of thought to the question. In this connexion we were told that the area off the coast of Louisiana may require legislative attention before long because areas of shelf are already parcelled out under leases and, if each lessee erects a structure, the structures will be so numerous that, if each had a 500 yard belt of territorial waters round them, virtually the whole area of sea concerned would become territorial waters.

9. There was then a brief discussion on the question of artificial islands. It was agreed by both sides that some artificial islands certainly should be held to carry territorial waters round them. The case of Eddystone lighthouse in the United Kingdom or the case of the artificial islands which are made from time to time off the coast of Florida on the other hand were quoted as cases in point. The artificial islands off the coast of Florida are made by the erection of more or less circular walls in shallow water and then filling up with coral all the space inside the walls, with the result that very soon, under the action of weather, an extremely firm and durable island is created. I mentioned that, in a recent consideration of the question in London, we had summarized the tests which an artificial island must satisfy before it would carry a belt of territorial waters under the words "visi-

bility, solidity and permanency". Subject to the point that permanency must be a very relative term, it was thought that these words described principles which might properly be held to be applicable for this purpose. In particular it was agreed that nothing on piles should be regarded as an island for this purpose. Visibility was necessary as one of the tests for an artificial island for the same reason that it is necessary as the test of a very small natural island. One has to distinguish between a rock which is awash and is not an island and a rock which stands well above the surface of the water. The court's decision in the Norwegian Fisheries case may provide a ruling on this point where natural islands are concerned but will not so far as can at present be foreseen touch the question of artificial islands.

9*a*. It was mentioned that the question of artificial islands might be of some importance in connexion with the division of the continental shelf in the Persian Gulf and the possible danger was mentioned that interested parties might cause new artificial islands to be created just for the purpose of increasing their claims to valuable continental shelf. To this two comments were made. In the first place a distinction might be drawn between new artificial islands created after the issue of the continental shelf proclamations and those which were in existence before and were merely maintained, and secondly that this possibility was an additional reason for pushing on with the actual delimitation of the continental shelf in the Persian Gulf, a work which, as the meeting were aware was being taken in hand. It was agreed that no state could place a new artificial island on a piece of shelf which belonged to another state. The question of new artificial islands would be most difficult in cases where the actual allocation of the shelf between contiguous states had not been made and the structure was situated on a place which, at the time it was placed, it was very difficult to say should belong to one state or the other.

10. A brief reference was then made to the question of cables and oil pipes laid on the shelf. Of course, on the United States doctrine, which claims only jurisdiction and control over the natural resources of the shelf, no use would be made of anything which would be United States territory by laying either a cable or a pipe line on the top of a shelf belonging to the United States and therefore it would appear that such cables or pipe lines could be laid along the continental shelf of the United States without requiring the permission of the United States. The position might be rather different, however, where a state has acquired sovereignty over its shelf. In that case it might be said that the consent of the sovereign of the shelf was required before either a new cable or a new pipe line could be laid which rested on its territory, just as, for instance, the consent of the littoral state is required for the purposes of laying a cable in territorial waters. It was thought, however, there would be much to be said for the view that,

so far as cables were concerned, international law had already recognised the right of laying cables beneath the high seas without the leave of anybody before any sovereignty over the continental shelf was held to have been acquired and that therefore sovereignty over the continental shelf might be held to be subject to a sort of servitude under which cables might be laid without the leave of the sovereign of the shelf. (Compare the right of innocent passage through territorial waters.) On this doctrine, however, the distinction could be made as regards the laying of oil pipe lines because it cannot be said at the present time there is an acquired right to lay oil pipe lines beneath the sea because, up to now, there have been few, if any, cases where such pipe lines have ever been laid.

11. The discussion concluded with a discussion of the attitude which the two Governments might adopt to demands for international conferences about the law of the sea and territorial waters and to questionnaires of Governments issued by the I.L.C. and the eventual reports on these subjects by the I.L.C. itself. As regards the latter question, it was agreed that, by their answers to questionnaires, Governments had their chance of influencing the ultimate report of the I.L.C. itself and that, as such reports were likely to have considerable persuasive value, both Governments had an interest in returning clear and carefully prepared answers to these questionnaires and that the answers returned by the two Governments would have a far greater chance of being influential if they were in substance the same and did not conflict. As regards international conferences, there was already and was likely to be a demand for conferences on these subjects aired in the United Nations and it was agreed that such conferences at the present time were unlikely to do any good and there was a considerable danger that they would actually do harm. Therefore the two Governments seem to have a common interest in discouraging and if possible getting turned down demands for such conferences. Their efforts to get them turned down were, however, perhaps unlikely to be successful unless the Governments busied themselves with persuasion before the question came up to the vote in the United Nations, and therefore further consultation on the desirability of such action is advisable.

[Attachment]

## Notes for Discussion on Territorial Waters

*Division of subject matter.*

(*a*) Breadth of territorial waters.
(*b*) Other questions affecting measurement of territorial waters.
(*c*) Contiguous zone.
(*d*) Continental shelf.

(*e*) Occasions when it will be expedient or necessary for Governments to declare their position.

(a) *Breadth of territorial waters.*

Policy with reference to claims to more than 3 miles.

Reference pages 65–6 and 79–80 of United Kingdom Reply in Fisheries case.

The case of Iceland.

(b) *Other questions affecting measurement of territorial waters.*

Second sub-committee of Committee II of Hague Conference and United Kingdom Memorial in Fisheries case, pages 30 and 45.

Artificial islands.

(c) *Contiguous zone.*

(i) What is United States position regarding:

(*a*) Contiguous zone jurisdiction apart from treaty. We should like an explanation of the Anti-Smuggling Act of 1935 and of an executive order relating to air defence identification zones made last year.

(*b*) Rights, if any, which can be exercised in contiguous zone:

(1) customs and revenue;
(2) defence;
(3) with regard to fisheries;
(4) pollution of the sea.

Francois Report p. 29.

*N.B.* Tendency to argue that shelf requires some rights over waters above shelf, including rights for preservation of fisheries (Secretariat memorandum. Francois Report p. 37/9). Latin American proclamations.

*N.B.* Report of I.L.C. 2nd August (paras. 195–6).

(ii) United States position with regard to conservation of fisheries outside territorial waters.

Chapman Report. Does Truman fishing proclamation assert a (valid) claim to exercise jurisdiction over foreign vessels on high seas? c.p. Article 13 of N.W. Atlantic Fisheries Convention? Is it clear that there is no claim to exclusive enjoyment but only to regulations?

United Kingdom position up to date. Question of expediency of change in United Kingdom position regarding contiguous zone. Nature of this change. Time and manner in which it may be made known. Possibilities of abuse of contiguous zone. (Francois Report, p. 31).

(d) *Continental shelf.*

(i) Is it expedient to adopt the theory that littoral state has an inchoate right over the adjacent continental shelf, a right which it may perfect by appropriate formal annexation or declaration and by thenceforward exercising vigilance to enforce its claim against others: that the shelf, while open to acquisition of littoral state, is not open to acquisition by other states unless littoral state allows other states

to acquire prescriptive title. For this purpose the continental shelf is deemed to include all sea bed and sub soil where the depth of the water is 200 metres (100 fathoms) or less whether or not there is steep descent to greater depth at about the 100 fathom line (Secretariat memorandum—pages 93–5). (I.L.C. Report pages 198–201). The shelf includes the surface of sea bed as well as sub-soil.

(ii) Nature of rights over shelf. Sovereignty versus jurisdiction and control. (Secretariat memorandum, pages 78–81).

(iii) Is the right (whether sovereignty or jurisdiction) a right over the shelf as such or only over the resources in the shelf. Difficulties of second conception. Discussion in I.L.C. Hudson in a minority on this point. (I.L.C. Report).

(iv) Effect of right to shelf on waters above shelf.

(*a*) Interference with navigation (Secretariat memorandum pages 74–7).

(*b*) Claims to fishing control (Secretariat memorandum page 84).

(v) Artificial structures erected for purposes of exploitation—whether they carry any surrounding waters with them. (I.L.C. Report).

(vi) Question of cables and pipes laid on shelf.

(e) *Occasions when it will be expedient or necessary for Governments to declare their position.*

What attitude should Governments adopt to demands for international conferences about law of sea and territorial waters. Questionnaires from the I.L.C. In what, if any, other way would it be necessary or expedient for Governments to declare their views.

USEFUL DOCUMENTS FOR REFERENCE FOR THE PURPOSES OF THESE DISCUSSIONS

Francois Report on the Regime of the High Seas, March 1950. (A/C.N. 4/17)

Secretariat Memorandum on the Regime of the High Seas, August 1950. (A/C.N. 4/32)

Papers for Grotius Society by Hurst (1948) and Waldock (1950) on the Continental Shelf—reprinted for Copenhagen Conference of I.L.A. 1950.

Report of I.L.A., Copenhagen, 1950, on Rights to Sea-bed and subsoil (August 1950).

68th meeting of I.L.C. (A/C.N.4/S.R.68) 14th July 1950.

I.L.C. Report, (A/C.N.4/34) 2nd August 1950.

Chapman Report to House Committee, May 25th, 1950.

Articles by Boggs.

(1) National claims in Adjacent Seas.

(2) Delimitation of Seaward Areas under National Jurisdiction.

# UNITED STATES POLICY WITH REGARD TO THE POLAR REGIONS [1]

702.022/3-151

*Memorandum of Conversation, by the Chief of the Division of Northern European Affairs (Hulley)*

CONFIDENTIAL [WASHINGTON,] March 1, 1951.[2]

Subject: Proposed *Modus Vivendi* on Antarctica [3]

Participants: Mario Rodríguez A., Minister Counselor, Chilean Embassy
Mr. Barall—OSA [4]
Mr. Hulley—BNA
Mr. Hilliker—BNA [5]

Mr. Rodríguez was asked to come in to receive our redraft of the proposed *modus vivendi* for the Antarctic, based on the Chilean revision given the Department in September 1950.[6] In giving him the redraft (copy attached)[7] I explained that most of the changes related to questions of phraseology or arose out of the translation from Spanish. The one important substantive change we had made was to delete the article proposed by Chile which would have obligated signatories not to impose taxes or other fees in the Antarctic on fishermen and fishing vessels of other signatories. I reviewed the following reasons for our fundamental opposition to any mention of the subject in the *modus vivendi:*

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[1] For documentation concerning U.S. policy with regard to the Antarctic, see *Foreign Relations*, 1950, vol. I, pp. 905 ff.

[2] Although the memorandum was dated March 1, the conversation took place on February 28.

[3] The proposal for a *modus vivendi* was originally made by Chile in response to a U.S. proposal for internationalization of the Antarctic, made in identic *aide-mémoires* dated August 9, 1948, with an enclosed draft agreement, presented to the governments of the countries with legal claims on the Antarctic: Argentina, Australia, Chile, France, New Zealand, Norway, and the United Kingdom. For texts of both documents and documentation concerning the Chilean counterproposal, see *Foreign Relations*, 1948, vol. I, Part 2, pp. 996 ff. For documentation concerning subsequent discussion of the proposal for a *modus vivendi*, see *ibid.*, 1949, vol. I, pp. 793 ff. and *ibid.*, 1950, vol. I, pp. 905 ff.

[4] Milton Barall of the Office of South American Affairs.

[5] Grant G. Hilliker of the Office of British Commonwealth and Northern European Affairs.

[6] The Chilean draft under reference, not printed, was given to Hulley by Rodríguez on September 7, 1950; see Hulley's memorandum of conversation of that date in *Foreign Relations*, 1950, vol. I, p. 917.

[7] Draft *modus vivendi*, undated, not printed.

(1) that any such provision might better be included in the International Whaling Convention [8] and not limited to signatories of the *modus vivendi;*

(2) that inclusion in the *modus vivendi* of a matter such as whaling (carried on almost entirely on the high seas) might give certain countries with whaling interests an excuse to claim participation in the regime relating to the mainland, which they would not otherwise have; and

(3) that there was a serious question whether the United States could legally settle a matter relating to taxation in an executive agreement.

Mr. Rodríguez confirmed my understanding that whaling has been historically the principal form of "fishing" in the Antarctic but said that the provision also was intended to cover any other types of fishing which might develop in the future. He also confirmed the impression that the Chilean concern grew out of the British practice of assessing certain whaling fees within their Antarctic claim.

On the question of procedure for presenting the draft to the other countries concerned, I said that on further reflection we thought it would be best if Chile would make the circulation since the proposal had originally been theirs. This would permit the Chileans to present it, in whatever form they desired, as a basis for discussion. I said that while the draft could not be considered as having had final US "approval" there would be no objection to Chileans stating that we had been consulted. I suggested that Chile might find it useful to circulate the draft in an English as well as a Spanish text.

Mr. Rodríguez asked about the status of any reply to the Soviet memorandum on Antarctic of last June.[9] I replied that we had seen no advantage in replying at the present time and understood from the British that they had come to a similar conclusion. He also asked whether we had gone any further toward announcing an official claim to Antarctic territory and I replied that we had not.

BENJAMIN M. HULLEY

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[8] For the text of the International Convention for the Regulation of Whaling, signed at Washington December 2, 1946, see Department of State Treaties and Other International Acts Series (TIAS) No. 1849, or 62 Stat. 1716.

[9] For text of the Soviet memorandum of June 8, 1950, see *Foreign Relations*, 1950, vol. I, p. 911.

702.022/3–151

*Memorandum of Conversation, by Mr. Grant G. Hilliker of the Office of British Commonwealth and Northern European Affairs*

CONFIDENTIAL [WASHINGTON,] March 5, 1951.

Subject: Proposed *Modus Vivendi* on Antarctica

Participants: Mario Rodríguez A., Minister Counselor, Chilean Embassy
Mr. Barall—OSA
Mr. Hilliker—BNA

Mr. Rodríguez asked to come in to discuss informally the Department's revision of the proposed *modus vivendi* for the Antarctic, handed to him February 28, 1951.[1] (See Memorandum of Conversation dated March 1.)

Referring to the "fishing" article which we had deleted from Chilean draft, he reviewed the three reasons for our opposition to it and asked for clarification of the first and third. With respect to possible inclusion of such a provision in the International Whaling Convention, he remarked that his examination of the Convention failed to reveal any provision for amending the Convention to incorporate such a provision. I said that Mr. Hulley's comment concerning our preference for including the fishing provision in the Whaling Convention was contingent on arriving at a decision that it was necessary or desirable to have such a provision at all. This question had not been considered in the Department, it being merely our feeling that the provision, *if necessary*, might more logically be dealt with under the Convention than in the *modus vivendi*.

With respect to the possible difficulty of dealing with this question in an executive agreement, I told Mr. Rodríguez that this was not a decision based on a full legal study, but was an obvious inference to be drawn from the fact that our Constitution gives Congress the right to levy taxes. Therefore, any attempt to deal with a taxation matter, even future and hypothetical, in an executive agreement might lead to questions of executive powers.

Mr. Rodríguez consulted the draft we had given him and asked for clarification of the words "assent to" substituted for "authorized" in the second part of article 7.[2] I informed him that this wording was

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[1] The draft *modus vivendi*, undated, not printed, was attached to Hulley's memorandum of conversation, March 1, *supra*.

[2] Article 7 of the draft under reference reads as follows:

"That the Committee shall inform the signatory Governments concerning any situation that may arise in case a country not a signatory to this Declaration indicates an intention or desire to carry out explorations or scientific research or study in the Antarctic;

That the signatory Governments agree not to assent to any such expedition during the life of this Declaration, except on condition that it shall not be invoked as a basis for territorial claims" (702.022/3–151).

changed in order to include cases in which specific authorization for expeditions by non-signatories might not be requested or possibly not even required, for the portion of the area to be entered. The altered wording was believed to be legally more realistic without detracting from the purpose of the provision. He said that it involved a problem of accurate translation into Spanish. He also asked why the words "their projected activities" were inserted in article 5 [3] of the new draft. I replied that this provision seemed to us essential in order to give meaning to the provisions of the following paragraph concerning coordination of plans for expeditions. I remarked that Mr. Rodríguez had asked about precisely the two changes we had at one point considered calling to his special attention.

Mr. Rodríguez next inquired what had been behind the Department's indication that Chile might go ahead alone with the circulation of the proposal to the other interested governments, rather than in conjunction with the US as had been discussed earlier. He said he personally believed, and thought his Government would agree, that US participation in the circulation of the *modus vivendi* would (1) lend the weight of US prestige to the proposal and (2) solve certain physical limitations resulting from the fact that some of the countries concerned do not have representatives in Santiago.[4] I said I thought I could tell him quite frankly that we had decided to avoid fully identifying the proposal with the US, in an effort to increase its chances of acceptance in certain quarters. Moreover, it would avoid the necessity of complete agreement between our governments on the text of the draft, e.g., the "fishing" article. I told Mr. Rodríguez that if his government felt strongly on this point that we would be prepared to reconsider the question of the best procedure for circulating the draft, but I wondered how we would deal with the problem of agreeing on a draft.

Mr. Barall mentioned the question of where such a *modus vivendi* might be signed, which led Mr. Rodríguez to reiterate his Government's views that the seat of the Consultative Committee contemplated in the *modus vivendi* should be in Santiago or Washington. He added that the Chileans would oppose London and Buenos Aires. He also asked how much the British knew about the *modus vivendi* proposal. I answered that they seemed to be informed, and asked whether I was correct in believing the Chileans had circulated their original proposal in 1948 among the countries concerned. He said that this had been done as a matter of information but that he had understood

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[3] Article 5 of the draft under reference reads as follows:

"That the signatory Governments will establish an Antarctic Consultative Committee, with headquarters in the city of ——— composed of one member for each country, the chairmanship of the Committee to be rotated annually, and the signatory countries to inform the Committee of their projected activities and the results of their scientific research and study in the Antarctic" (702.022/3–151).

[4] Neither Australia nor New Zealand had diplomatic representatives in Chile.

from Caspar Green,[5] about a year ago, that we had given the British a copy of our revision as of that date. I remarked that I must have overlooked this in my study of the old files.

GRANT G. HILLIKER

[5] Caspar D. Green, formerly of the Office of British Commonwealth and Northern European Affairs.

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735.21/5-351

*The First Secretary of Embassy in Argentina (Pool) to the Secretary of State*

RESTRICTED

BUENOS AIRES, May 3, 1951.

No. 1706

Subject: Foreign Affairs Section of Perón's[1] State of the Nation Speech[2]

There is transmitted herewith a translation[3] of the section of President Perón's State of the Nation speech dealing with foreign relations.

[Here follows a paragraph concerning the general theme of this section of the speech.]

Perón went on to add that Argentina does not favor fighting in far away lands, but will defend her own frontiers to the death. Her policy is oriented on the basis of collaboration with the American States in a spirit of solidarity. But solidarity is a two-way street, and the Americas should begin by remembering that Argentina has some unredeemed territory (Falkland Islands) still in the hands of a non-American power,[4] and they should show some solidarity with her by helping her get it back.[5] (In another section of the speech Perón stated that for the first time the truth about the Falklands and "Argentine sovereignty over the Antarctic" was being taught in the schools.)

[1] President Juan Domingo Perón of Argentina.

[2] The text of the speech, given before the Argentine Congress on May 1, was transmitted to the Department of State with despatch 1700, May 2 (735.2/5-251).

[3] Not printed.

[4] The Falkland Islands were administered by the United Kingdom.

[5] In the Embassy's informal translation, the part of the speech under reference reads as follows:

"On the other hand, Argentine solidarity with the American countries requires the same solidarity of all those countries with the Argentine Republic; it is to that solidarity that the Argentine representative in every inter-American conference has appealed in order to bring to bear, with the force of all America, Argentina's right to have the Falkland Islands returned to it, since they unquestionably form part of the frontiers of the Republic, as does the portion of the Antarctic which belongs to it."

At a press conference on May 2, Secretary of State Acheson refused to comment on Perón's statement. Despatch 1719, from Buenos Aires, May 4 reported that an article of that date in the Argentine newspaper *La Epoca* commented: "In doing this, he, probably without intending to, showed his complete complicity with the power which is actually in possession of that Argentine territory taken from it by force." (702.022/5-451) Documentation concerning U.S. relations with Argentina may be found in vol. II, pp. 1079 ff.

Foreign relations formed a very small part of the speech, by far the greater part of it being devoted to the economic blessings of justicialism.

JOHN C. POOL

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702.022/5–2551

*The Ambassador in Chile (Bowers) to the Secretary of State* [1]

RESTRICTED SANTIAGO, May 25, 1951.

No. 1258

Ref: Embassy's Despatches No. 1043, April 5, and 925, March 12, 1951 [2]

Subject: Chilean Rejection of British Protest Over New Antarctic Base

The Chilean Government has finally replied to the British protest of April 3 over establishment in the Antarctic of the González Videla Base, Chile's third in the region.

As expected, the Chilean answering note characterized both the British Embassy protest and that presented earlier by the commander of the British warship "John Biscoe" as "completely groundless". The fundamental Chilean thesis is that installation of the new base is nothing more than an act of the Chilean Government in the exercise of its sovereignty within the jurisdictional limits of the Republic of Chile. The note declares specifically that the site of the base—*Isla Pingüino, Puerto Paraíso, en la Costa de Danco, en la Tierra de O'Higgins*—lies in what it calls the "Chilean Antarctic".

With regard to the British suggestion that the problem be referred to the International Court of Justice, the Chileans state that they could not participate in such action because it would signify a surrender of sovereignty on Chile's part, since the disputed act (i.e., establishment of the base) occurred within the borders of the Republic. Furthermore, the Chileans continue, such a procedure could not lead to a satisfactory resolution of the Antarctic "pretensions" of other countries, however much merit they might contain.

Ending in a conciliatory way, the reply expressed Chile's appreciation of the friendship long existent between the two nations. Calling attention to the understanding and cooperation which have marked this friendship, the note stressed the disposition of the Chilean Gov-

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[1] A copy of the despatch was sent to London.

[2] Despatch 1043, April 5, not printed, reported that the British Ambassador had delivered a protest to the Chilean Government on April 3 concerning Chile's establishment of a new air force base, the Gabriel Gonzalez Videla Base, at Paradise Bay in the Palmer Peninsula, an area claimed by Chile, the United Kingdom, and Argentina (725.00 (W)/4–551). Despatch 925, March 12, not printed, reported that the commander of a British patrol ship, the *John Biscoe*, had delivered a note of protest to the commander of the Chilean ship *Lientur*, who had replied with a note rejecting the British protest (702.022/3–1251).

ernment to cooperate fully with any missions of a scientific or exploratory nature that Great Britain might wish to send into the "Chilean Antarctic".

The tone of the Chilean reply is consistent with established Chilean policy—friendly insistence, but insistence nevertheless, on the absolute validity and exclusiveness of Chile's claim to a certain portion of the Antarctic continent. Why the answering note was delayed so long is not known, inasmuch as it contained the arguments anticipated. At no time between April 3 and May 18, when the nature of the note was made public, was there any indication that the Chilean attitude would be otherwise than it has always been. Construction of the González Videla base was completed before the end of March and the Antarctic fleet returned to Valparaíso by the first week in April.

Information in this despatch on the Chilean reply to Great Britain was obtained primarily from press accounts. The Embassy is informed by the Ministry for Foreign Affairs that a copy of the note itself was sent to the Chilean Embassy in Washington for transmittal to the Department of State.[3] Therefore, no attempt has been made to secure a copy to enclose with the present report.

For the Ambassador:
CARLOS C. HALL
*Counselor of Embassy*

[3] No copy of the note has been found in the Department of State files.

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702.022/6–851

*The First Secretary of Embassy in Argentina (Martindale) to the Secretary of State*

No. 1923 BUENOS AIRES, June 8, 1951.

Subject: Argentine Reply to British Protest Concerning Antarctic Bases.[1]

The Foreign Minister [2] received the press on June 7 and issued copies of the note handed British Embassy June 1 [3] rejecting the British protest against Argentine bases established in Antarctica. (Clippings from *La Nación*, June 8, *Democracia*, June 8 and *La Epoca*, June 7, enclosed.)[4]

The Peronista press headlines the government's strong nationalist stand and reassertion of Argentine sovereignty.

ROBERT G. MARTINDALE

[1] Despatch 1753, from Buenos Aires, May 10, not printed, had reported that the British Embassy had formally protested against the establishment of two more Argentine bases in Antarctica (735.00 (W)/5–1051).

[2] Argentine Foreign Minister Dr. Hipolito J. Paz.

[3] The text of the note was enclosed with despatch 1977, from Buenos Aires, June 18, not printed.

[4] Not printed.

702.022/7-151

*Department of State Policy Statement*[1]

SECRET [WASHINGTON,] July 1, 1951.

POLAR REGIONS

I. ARCTIC REGION

*U.S. Interest*

Aside from our immediate interest in the Arctic, resulting from possession of Alaska, the U.S. is deeply concerned with the strategic significance of the lands surrounding the Arctic basin, in part at least because of the proximity of Canada, Greenland, and Iceland along Arctic or sub-Arctic invasion routes from the Soviet Union. It is vital to the safety of the United States and the Western Hemisphere that international planning for Arctic defense continue. Planning for Arctic defense as part of the defense of the U.S., and in accordance with existing treaty obligations, should therefore be pursued in conjunction with other interested nations and through international organizations as appropriate. In many cases the NATO affords an excellent framework within which to deal with defense requirements.

U.S. interest in the Arctic goes beyond considerations of defense, however. Even in normal times, the areas where the great circle routes cross the Arctic and sub-Arctic between the great Northern Hemisphere population centers are important to air and sea travel and radio communications. Magnetic and ionospheric data from the Arctic are needed in connection with these and other communications. Weather information from a network of stations within the area is essential for purposes of commercial and military aviation and shipping, as well as for weather forecasting in the Temperate Zone. Radio navigation systems in the area provide added safety for air and sea travel. In some Arctic localities, in addition to Alaska, exploitation of minerals may have some significance.

*Policy Objectives*

U.S. policy in the Arctic aims (1) to safeguard our strategic interests in the area, (2) to facilitate the establishment and maintenance in the area of installations required for commercial transportation, communications and weather services, and (3) to avoid, so far as possible, any action tending to support the so-called "sector principle" in the Arctic.

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[1] Department of State Policy Statements summarized current U.S. policy and related problems and issues concerning particular countries or regions; they were intended for the information and guidance of officers in missions abroad. They were generally prepared by *ad hoc* working groups in the responsible geographic offices of the Department of State, were referred to the appropriate diplomatic missions abroad for comment and criticism, and were periodically revised.

*Problems*

The United States seeks to maintain adequate base and communications facilities in the Arctic area to complement facilities established on U.S. territory. In cooperation with other countries, particularly Denmark, Iceland and Canada, it seeks to maintain and improve the network of Arctic weather and communications facilities. Specific problems in United States relations with each area bordering the Arctic are discussed in the appropriate country policy statements (Canada,[2] Iceland,[3] Denmark,[4] Norway,[5] USSR).[6] These statements should also be consulted for policy evaluations concerning Arctic problems.

*Background*

The purchase of Alaska in 1867, and the activities of U.S. citizens who carried on explorations and made new discoveries in the Arctic region, gave the United States a prominent place in the development of the area. This U.S. position has never been used to assert formal claim to any of the new territories explored or discovered. On the other hand, the U.S. Government does not recognize the sector claims of the Soviet Union and Canada in the areas north of their accepted territorial limits.

The Soviet sector claim was announced in a Soviet decree of April 15, 1926.[7] The Soviet Union had earlier (in a telegram of November 12, 1924 to Secretary Hughes)[8] complained of U.S. and other violations of Soviet territory in the region of the northern coast of Siberia. It was alleged that the United States, in the Convention of 1867 by which

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[2] Department of State Policy Statement, Canada, March 19, not printed. Documentation on political and military relations between the United States and Canada may be found in vol. II, pp. 870 ff.

[3] The most recent policy statement concerning Iceland, dated May 15, 1950, is printed in *Foreign Relations*, 1950, vol. III, p. 1459. Documentation regarding U.S. relations with Iceland in 1951 may be found in volume IV.

[4] The most recent policy statement regarding Denmark, dated October 1, 1949, is printed in *Foreign Relations*, 1949, vol. IV, p. 618.

[5] The most recent policy statement concerning Norway, dated September 15, 1950, is printed *ibid.*, 1950, vol. III, p. 1530. For documentation regarding U.S. relations with Norway in 1951, see volume IV.

[6] Reference is apparently to a draft policy statement, undated but filed with a covering memorandum of January 16, printed in part in volume IV in documentation on efforts to negotiate a lend-lease settlement with the Soviet Union.

[7] In a Department of State Policy and Information Statement, January 27, 1947, the Soviet decree under reference was quoted as follows: "Proclaimed as territory of the Soviet Union are all, discovered or yet to be discovered, lands and islands, not forming at the moment of publication of the present decree, territory recognized by the Government of the Soviet Union as belonging to any other States, and situated in the Northern Arctic Ocean to the north of the littoral of the Soviet Union up to the North Pole within the limits between the meridian of 32°49′35″ longitude east of Greenwich, . . . and the meridian of 168°49′30″ of longitude west of Greenwich. . . ." [Ellipses in source text.] The 1947 Policy and Information Statement is printed in part in *Foreign Relations*, 1947, vol. I, pp. 1043–1062.

[8] The text of the message sent by telegram to Secretary of State Charles Evans Hughes on November 24, 1924, is printed in Ministerstvo inostrannykh del SSSR, *Dokumenty vneshnei politiki SSSR*, volume VII (Moscow, 1963), p. 531.

Russia ceded Alaska to the United States,[9] forfeited any rights to claim territory west of the Treaty boundary dividing Russian and Alaskan territory. On this question the Department has taken the position that the Treaty boundary merely marked the territory ceded to the U.S. which was "then possessed" by Russia and in no way restricted the U.S. from participation in further exploration and discoveries west of that boundary.

The U.S. has not recognized Canadian claims based on sector delimitation alone.[10] However, we have not been inclined to challenge Canadian claims to jurisdiction over those areas in which the Canadian Government is exercising control. Thus, we have not challenged Canadian control over certain islands, in connection with the Joint Canadian-U.S. Weather Station Program.[11]

Interest and activity by both the Canadian and Soviet Governments within their respective Arctic sectors have increased significantly in recent years. This would place them in a strong position, in the event rival claims were advanced, to support their claims to superior title by concrete evidence of acts of possession and control exercised without challenge over a considerable period. An international court might therefore uphold the validity of their claims to certain areas, even without reference to the so-called "sector principle."

The question of title to lands which might be discovered within the claimed sectors in the future is an entirely different matter. Our main objection to application of the sector principle in the Arctic results from the implication that claims can be defined in terms of areas which may include land not yet discovered, much less occupied, by the claimant countries. Thus, we would not acquiesce in a claim to lands merely on the basis of the sector principle. Nor could the Arctic seas, in our view, be made subject to "territorial" sovereignty of any state even though they might contain ice areas having some characteristics of land. The United States position is that the Arctic seas and the air spaces above them, insofar as they are outside of accepted territorial limits, are open to commerce and navigation in the same degree as other open seas.

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[9] For the text of the Convention, signed at Washington on March 30, 1867, see *Foreign Relations*, 1867, Part I, pp. 388–390, and William M. Malloy, ed., *Treaties, Conventions, International Acts, Protocols and Agreements Between the United States of America and Other Powers* (Washington, Government Printing Office, 1910), vol. II, pp. 1521–1524.

[10] According to the Policy and Information Statement of January 27, 1947, cited in footnote 7 above, the Canadian Government had made clear its claim to all islands lying to the north of continental Canada within the sector bounded on the east by the 60th meridian and on the west by the 141st meridian, with the exception of that portion of Greenland which lay within that sector. The portion of the Statement concerning Canadian claims is not printed; see *Foreign Relations*, 1947, vol. I, p. 1044, footnote 6.

[11] For information concerning arrangements between the United States and Canada regarding the Joint Canadian-U.S. Arctic Weather Stations, see *ibid.*, vol. III, p. 135.

Norway's sovereignty over Spitsbergen, Bear Island, and Jan Mayen, and Danish sovereignty over Greenland, have been recognized by the U.S. No occasion has arisen requiring U.S. decision on the Norwegian reservation of rights in Fridtjof Nansen Land (formerly called Franz Josef Land) within the sector claimed by the USSR. Since neither Norway nor Denmark have propounded any "sector" claim in the Arctic it is assumed that the acquisition of new territories which might be discovered to the north of the Spitsbergen–Greenland zone would be treated in accordance with general principles governing acquisition of terra nullius.

The security interest of the United States in the Arctic region, particularly in the zone Alaska–Canada–Greenland–Iceland was indicated in a concrete manner by military measures taken by the United States during the war on its own territory in Alaska and in conjunction with the local governments in Canada, Greenland and Iceland. This interest has been stated by the Joint, Chiefs of Staff to be a long-range interest. The U.S. therefore continues, under the NAT and other arrangements, to try to strengthen the defenses of the area, in cooperation with the governments most directly concerned (Canada, Denmark, Iceland, Norway, and U.K.).[12]

## II. ANTARCTIC REGION

### *U.S. Interest*

From the beginning of discovery in the Antarctic, and particularly in the past two decades, U.S. explorers and scientific expeditions have made outstanding contributions to knowledge of the area. Aside from the emotional response evoked by memories of these activities, our first immediate interest in the Antarctic is in the acquisition of meteorological and other scientific data unavailable elsewhere in the world. Another interest, of less importance, arises from the utility of the area for cold-weather training of military personnel and the testing of Arctic equipment.

Information now available does not support the view that the Antarctic will acquire significance in the foreseeable future as a commercially important source of minerals, a communications link, or a decisive factor in the military control of the adjacent sea route around South America. As a matter of ordinary prudence, however, the U.S. seeks to safeguard its interests in the area and, as a strategic precaution, would oppose participation in the control of Antarctica by potentially unfriendly powers. Also, the importance in the public mind of the potential value of the continent requires that popular opinion be given close attention in the implementation of policy relating to the area.

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[12] Documentation concerning U.S. relations with the United Kingdom is presented in volume IV.

*Policy Objectives*

The U.S., while protecting and promoting its essential interests in the Antarctic, seeks to eliminate international friction and to achieve a solution of the problem of claims which will facilitate development of a systematic, scientific investigation of the region. Defense considerations require that any solution of the territorial problem should:

1. Deny to our most probable enemies participation in the control of all or any part of Antarctica,
2. Insure that such control would be exercised by friendly powers, and
3. Not constitute a precedent adversely affecting U.S. interests in the Arctic.

The U.S. is attempting to accomplish its aims by means of a *modus vivendi* freezing the current status of Antarctic claims for a specified period. This would be a limited advance toward our original objective of internationalization but, like that project, the proposal may meet such resistance from other countries that it will have to be subordinated to more important aspects of our foreign relations.

*Current Situation*

Our 1948 suggestion for discussion of internationalization of the Antarctic was unsuccessful in that it was unfavorably received by most of the seven countries to which it was presented (Argentina, Australia, Chile, France, New Zealand, Norway, the U.K.). It did, however, prompt a counter-proposal from Chile which has since been the subject of an exchange of views with the Chileans, and occasional informal consultation between the U.S. and the U.K. The draft *modus vivendi*, as most recently modified by us,[13] would declare:

1. That the eight signatories, desiring to avoid any cause for international difference, are engaged in talks looking toward a solution of the problem of Antarctica;
2. That any activities carried out in the area during the life of the declaration will not prejudice such rights as the signatories now possess, nor be invoked thereafter against other signatories as bases for territorial claims;
3. That any of the signatories may conduct exploration and scientific research in any part of the area;
4. That the signatories will exchange scientific information relating to the Antarctic;
5. That the signatories will create a consultative committee for coordination of plans and exchange of information concerning the Antarctic;
6. That the signatories agree not to assent to any expedition of a non-signatory except on condition that such activity will not be invoked as a basis for territorial claims;

[13] The draft *modus vivendi*, undated, not printed, was given to the Minister Counselor of the Chilean Embassy on February 28; see Hulley's memorandum of conversation, March 1, p. 1715.

7. That in case events threaten the maintenance of the *status quo* the signatories will communicate to agree on counter measures;

8. That the declaration shall remain in force eight years, prior to the end of which time the signatories will consult concerning the advantage of meeting in an Antarctic conference.

Efforts to broaden the proposed *modus vivendi* to imply the possibility of a future solution of the "territorial" problem, or to permit the committee any but consultative powers, have been resisted by the Chileans. Thus, if approved by the claimant countries, the declaration would have no direct effect on the future of national claims to Antarctic territory, but it would tend to relieve tension and to encourage investigation of the area as a whole.

Provided that Chile approves a draft declaration reasonably satisfactory to us, we would be willing to consider the desirability of participating with the Chileans in the circulation of the draft to the other six claimant countries listed above. Such U.S. participation would overcome physical limitations arising out of the lack of Chilean representation at certain capitals and would be calculated to lend increased weight to the proposal. It has been planned that the U.S. would announce an official claim as soon as there is prospect of agreement on a *modus vivendi.* This would give us status comparable to the prospective signatories, all of which have official Antarctic claims. Although all of these countries received a copy of the original Chilean proposal in 1948, we are not aware of the attitude of any of the prospective signatories other than the United Kingdom. However, the extremely nationalistic approach of Argentina to Antarctic matters makes her acceptance of this project doubtful.

Countries other than the present claimants which have shown some degree of interest in the Antarctic include the Union of South Africa, Belgium, Sweden, the USSR, Germany, and Japan. Of these, the last two might have better grounds than the others for advancing territorial claims, but the peace settlements with them would afford an opportunity for renunciation of such rights.[14]

The interest of the Soviet Union in the Antarctic has increased since World War II. Prior to our 1948 suggestion for internationalization, this interest was apparently limited to exploitation of the whaling resources of the area. Early in 1949, however, the All Union Geographical Society of the USSR adopted a resolution asserting the right of the Soviet Union to take part in any solution of Antarctic problems.[15] The first official statement of this view came in June 1950,

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[14] In the Treaty of Peace with Japan, signed at San Francisco on September 8, Japan renounced all claims to any rights or interest regarding the Antarctic. For the text of the treaty, see 3 UST 3169. For documentation concerning the drafting of the treaty, see vol. VI, Part 1, pp. 777 ff.

[15] For information concerning this resolution, adopted at a meeting of the All-Union Geographic Society of the USSR on February 10, 1949, see footnote 1, *Foreign Relations*, 1949, vol. I, p. 794.

when the Soviet Union handed memoranda to the United States and six other countries with Antarctic interests (excepting Chile, with which it had no relations). These communications again asserted the Soviet right to participate in discussions of the type proposed by the United States in 1948, and warned that the USSR would not recognize as valid any solution of the territorial problem in which it did not take part.

The memorandum attempted to justify Soviet interest on the basis of a Russian naval voyage of 1819–21 and on the scientific and economic significance of the area. The voyage was the circumnavigation of the Antarctic Continent by Bellingshausen and Lazarev. While they sighted no part of the mainland the Russians can be said to be the first to have discovered land south of the Antarctic Circle (Peter I and Alexander I Islands, in the area opposite South America). The Russians were unable to land on these islands and the area has since been extensively explored and charted by nations of other countries. Illustrative of the scientific and economic interests of the USSR, the memorandum noted Soviet Antarctic whaling activities since 1946, and the significance for the Northern Hemisphere of Antarctic meteorological observations. The tone of the memorandum was conciliatory, in contrast to the increased volume of semi-official statements on the subject appearing in the Soviet Union following delivery of the memorandum.

Only Argentina (and Chile, by means of a public statement) has replied to the Soviet memorandum.[16] In parallel statements the two countries categorically rejected any right of the Soviet Union to claim territory or participate in the discussion of Antarctic problems and reaffirmed the validity of their own territorial claims. The Department has seen no advantage in replying to the Soviet memorandum and it is understood that the other claimant countries have no plans for early replies. The British have told us informally that their most effective reply would be to point out the absence of official Soviet claims in the Antarctic.[17] The fact that such a statement would, as they recognize, place the United States and the Soviet Union in the same category may have been calculated to encourage us to announce an official claim, a step which the British have favored.

The failure thus far of the U.S. to announce an official claim and our refusal to recognize the Antarctic claims of other countries rest on the traditional and orthodox view that discovery and exploration of new territories, which are not followed by effective control or occu-

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[16] The Argentine note of August 25, 1950, and the Chilean statement of September 12, 1950, are summarized in footnotes 3 and 4, *Foreign Relations*, 1950, vol. I, p. 917.

[17] J. Gordon Boyd, First Secretary, British Embassy, informed Hulley in a letter of November 16, 1950, not printed, that the British Government had decided to make no reply to the Soviet memorandum, chiefly because of the difficulty of finding a principle which excluded the Soviet Government without also excluding the U.S. Government (702.022/11–1650).

pation, do not give valid title. Discovery alone is said to give merely an inchoate title which must later be perfected by occupation. Because of the impossibility of occupying certain polar regions, however, it may in the future be generally recognized that title to such regions may be acquired by some form of control short of actual settlement. Meanwhile, an official assertion and notification of claim on the part of the United States would, at the least, serve as evidence of its intention to preserve such title as it may have.

Among existing claims, those of Argentina, Chile, and the U.K. all overlap in the area of Palmer Peninsula. In addition, the U.S. claim which we would be prepared to define would comprise all areas first explored and mapped by U.S. nationals and would conflict with all existing claims. Wishing to avoid as much as possible any aggravation of tension, we prefer that announcement of a U.S. claim be related to the process of arriving at an international settlement of the territorial question. Announcement of a U.S. claim would permit our participation in the proposed *modus vivendi* on a basis of equality with other claimants, or, if an agreement of this type proved impossible, it would lay the foundation for perfection of U.S. title at some future date.

Having its basis in U.S. activities, the claim would deliberately ignore the sector lines along which other Antarctic claims, excepting possibly Norway's are drawn. To the extent that conditions in the Antarctic and the Arctic regions are comparable, this would reflect our non-acceptance of application of the "sector principle" in the North Polar area (see Section I). Actually it is possible, and may be necessary, for the U.S. to distinguish between (1) efforts to apply the sector principle in the Arctic to extension of sovereignty from a coastline out over undiscovered land and possibly over water and (2) use in the Antarctic of the "hinterland" principle, recognized elsewhere, to delimit Antarctic claims between meridians of longitude and poleward from a coastal strip claimed on the basis of right.

*Policy Evaluation*

Appraisal of our Antarctic policy involves measuring the chances of success offered by alternative courses of action, against the objectives of protecting essential U.S. interests, avoiding international friction and division, and achieving scientific progress in the area. The courses immediately open to us are few: either we maintain our traditional opposition to partition of the area into national territories at this time, or we admit the appropriateness of such partition and announce an official U.S. claim. Combined with either of these courses we might attempt to increase our activities in the areas of U.S. interest or to seek some kind of international settlement of the territorial problem.

Ignoring for the moment the factor of overt Soviet interest in the territorial problem, it is plain that maintenance of our traditional

attitude regarding claims exerts no positive influence in favor of essential U.S. interests in Antarctica, although certain interests may for the present be adequately safeguarded by continuing to reserve our rights. Neither does our traditional position help to relieve existing international tensions or to promote scientific progress in the area.

The other possible course—asserting an official claim—would tend to protect our national interests by formalizing our rights based on activities in the area and might spur the Soviet Union to similar action. By itself, however, such action would tend to increase tensions between the U.S. and other claimants. It is also safe to assume that isolated announcement of a U.S. claim, in addition to having no favorable effect on the existing atmosphere for scientific investigation, would be likely to increase limitations on the freedom of expeditions to enter any part of the area.

Combining an increase in U.S. activities in the Antarctic with either of the foregoing courses could have the effect of strengthening and extending U.S. rights and possibly of promoting scientific progress, but it would tend also to aggravate international tension over conflicting claims, present or potential. On the other hand, an agreement among the claimants concerning the territorial problem should have the effect of relieving rivalries resulting from uncertainty as to the strengths of their respective claims and from the efforts of each nation to enhance its own position. It could also improve conditions for scientific investigation, while preserving each nation's rights and interests as they currently exist.

These, in fact, are the aims of our present policy of working toward a *modus vivendi* such as Chile proposes. The policy involves maintenance of our traditional position as to claims until such time as there appears a good prospect for making the announcement of U.S. claims part of an international arrangement. The danger in this policy is that it may let pass the opportunity for announcing claims at the time discussion of a *modus vivendi* is begun, regardless of the outlook for its success. However, it balances this possible shortcoming by avoiding announcement of national claims at a moment when it might interfere with favorable consideration of such a proposal by other countries.

Our failure to invite Soviet participation in discussion of Antarctic problems may have to be defended, not only on legal grounds, but also before international public opinion. While the exclusion of Soviet Union was dictated on grounds of national interest, it was justified primarily by our estimate of the relatively minor and remote contribution of Russia to knowledge of the Antarctic. This estimate also applied to the other countries which were not invited to participate in discussion of our 1948 proposal. In considering the question of a reply to the Soviet memorandum of June 1950, however, it was apparent that whatever arguments we might use to reject the Soviet claims to par-

ticipation, those arguments could be taken by the Soviet Union as the criteria it should set about to satisfy in order to qualify for participation in an Antarctic solution. It therefore appears preferable to continue trying to reach agreement on a *modus vivendi* among the countries having the preponderant right to decide the future of Antarctica. When concluded, an arrangement of this type should place the signatories as a group in a stronger position, at least as regards public opinion, than is possible under present conditions of unregulated rivalry.

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702.5/8–651

*The Deputy Under Secretary of State (Matthews) to the Assistant to the Secretary of Defense for International Security Affairs (Burns)*

CONFIDENTIAL REGISTERED WASHINGTON, August 6, 1951.

MY DEAR GENERAL BURNS: The Department of State has been informed by Brigadier General Edwin L. Sibert[1] of the United States Delegation, Inter-American Defense Board,[2] that the Argentine and Chilean Delegations have indicated their intention of bringing up the subject of preparation of defense plans for a portion of Antarctica. The Department of State has prepared a United States position for use by the Delegation in discussion of the subject. This position is set forth in the memorandum of Mr. C. R. Burrows[3] of the Department of State to General Sibert, a copy of which is attached.[4]

As the basis for a more definite position with respect to this matter, the Department of State considers that an estimate by the Defense Department of the importance of the area to the defense of the United States and the Western Hemisphere, and the extent of the need for multilateral planning concerning such defense, would be helpful. It has been assumed that the previous estimate, contained in the letter of the Secretary of Defense dated April 12, 1948 to the Secretary of State,[5] still applies.

It is possible that the defense of the Antarctic might be related to the importance of nearby areas such as the Falkland Islands. For this reason, it would be helpful to have a separate determination of the

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[1] Brig. Gen. Edwin L. Sibert, U.S. Army, Director of the Staff, Inter-American Defense Board.

[2] For documentation relating to the Inter-American Defense Board, see vol. II, pp. 985 ff.

[3] Charles R. Burrows, Deputy Director, Office of Regional American Affairs.

[4] The memorandum from Burrows to Sibert, dated July 23, is not attached to the source text.

[5] For the text of the letter from James V. Forrestal to Secretary of State George C. Marshall, April 12, 1948, see *Foreign Relations*, 1948, vol. I, Part 2, p. 971.

extent to which such areas should figure in the defense plans of the hemisphere. In the case of these areas as well as of the Antarctic, United Kingdom interests would be concerned.

Very sincerely yours, H. FREEMAN MATTHEWS

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702.5/9–2151

*Memorandum by the Joint Chiefs of Staff to the Secretary of Defense (Marshall)*[1]

SECRET WASHINGTON, 31 August 1951.

Subject: Defense Planning for Antarctica

1. This memorandum is in response to your memorandum, dated 10 August 1951,[2] in which the views and recommendations of the Joint Chiefs of Staff were requested on the above subject, together with a statement of the present importance of the area to the defense of the United States and of the Western Hemisphere.

2. After a review of their previous estimate, the Joint Chiefs of Staff reiterate the views in their memorandum to the Secretary of Defense, dated 20 March 1948 [3] that:

*a.* The Antarctic is of little apparent strategic value to the United States now. Its future strategic value to the United States, however, or to our most probable enemy, cannot be accurately predicted at this time in view of the dearth of information concerning this region and in view of possible long-term scientific developments;

*b.* The chief value of the Antarctic lies in scientific and meteorological fields, both of which have very great import now and might become critical in the future: and

*c.* Because of the proximity to the Antarctic of Argentina, Chile, Australia, New Zealand, and South Africa, all potential allies of the United States in event of war, this region might be of considerable strategic value to our enemy should a major conflict occur. Specifically, enemy control in the area adjacent to South America could have very serious consequences if use of the Panama Canal were denied the United States, leaving the passage around Cape Horn as the shortest sea route between the East and West coasts of the Western Hemisphere.

3. The Argentine and Chilean Delegations to the Inter-American Defense Board (IADB) recently indicated their intention of bring-

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[1] The memorandum was sent to the Department of State with a covering letter from Frank C. Nash, Assistant to the Secretary of Defense for International Security Affairs, to Matthews, September 21, not printed. A memorandum from Lovett to the U.S. Delegation, Inter-American Defense Board, September 19, not printed, in which Lovett concurred in the JCS estimate and in the U.S. position recommended by the Department of State, was also enclosed with the letter from Nash to Matthews (702.5/9–2151).

[2] Not found in the Department of State files.

[3] The memorandum under reference, not found in the Department of State files, was evidently the source of Forrestal's statement of the views of the Joint Chiefs of Staff in his letter to Marshall of April 12, 1948, cited in footnote 5, *supra*.

ing up the subject of the preparation of defense plans for that portion of Antarctica defined by the Inter-American Treaty of Reciprocal Assistance (the Rio Treaty)[4] as falling within the Western Hemisphere for defense purposes. This area is one in which the United States does not recognize any foreign claims of sovereignty although it is one in which the claims of Great Britain, Argentina, and Chile overlap and conflict.

4. As indicated in subparagraph 2 *c* above, the Drake Passage around Cape Horn appears to be the one area in the Antarctic which might be of military interest to the United States. This passage is bounded by Tierra del Fuego on the north and by the South Shetland Islands on the south. The likelihood of direct attack against this area is remote and its defense, primarily from Tierra del Fuego, is well within the capabilities of Argentina and Chile. Moreover, should the IADB undertake planning for the defense of one area in the Antarctic, the Organization of American States could conceivably be called upon to act to resist the claims of Great Britain to those portions of the area that are in dispute.

5. In view of the foregoing considerations, the Joint Chiefs of Staff are of the opinion that there is no need at this time for multilateral planning by the IADB for the defense of Antarctica and nearby areas such as the Falkland Islands. They are further of the opinion that should such planning be initiated, it could prove detrimental to the relationship of the United States with certain of its allies pledged to defend areas of far greater interest to the security of the United States.

6. Accordingly, the Joint Chiefs of Staff concur in the position recommended by the Department of State that should plans presented to the IADB for approval include defense of the Antarctic, the position of the United States Delegation to the IADB be expressed along the following lines:

"In view of existing conflicting claims by some States and possible claims by other States, including States not represented on the IADB, to areas of the Antarctic, and the fact that the United States has reserved its right to assert claims in that area, the United States Delegation reserves its position on plans for the defense of the Antarctic subject to the possible desirability of prior consultation with other friendly governments which may be concerned."

For the Joint Chiefs of Staff:
OMAR N. BRADLEY
*Chairman*
*Joint Chiefs of Staff*

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[4] For the text of the Inter-American Treaty of Reciprocal Assistance, Rio de Janeiro, September 2, 1947, see TIAS 1838 or 62 Stat. (pt. 2) 1681. Related documentation may be found in *Foreign Relations*, 1947, vol. VIII, pp. 1–93.

702.022/11-1451

*Draft Declaration on Antarctica, Prepared in the Department of State* [1]

CONFIDENTIAL [WASHINGTON, November 14, 1951.]

MODUS VIVENDI

(Containing Modifications Suggested by the Chilean Government Outlined by Mr. Rodriguez on September 24, 1951,[2] with Proposed United States Modifications)

Messrs ———, duly authorized representatives of the Governments of Argentina, Australia, Chile, the United States of America, France, Norway, New Zealand, and the United Kingdom of Great Britain and Northern Ireland, being met in the City of ———, have studied the Antarctic problem, and taking into consideration:

That there exist vast areas in the Antarctic Continent which have not yet been well explored or mapped;

That coordination of the scientific data that may be obtained in the Antarctic on meteorology, terrestrial magnetism, cosmic rays, geology, marine biology, et cetera, is, or may be, of great value for maritime and air navigation, the development of tele-communications, agriculture, and many other activities:

That it is the desire of the signatory Governments to maintain close relations of friendship and to avoid any cause for international differences: and that it is desirable therefore, to prevent the occurrence of conflicts over sovereignty or any other matter that may arise in the Antarctic which may disturb such relations;

In the name of their respective Governments, declare:

1. That their Governments are engaged in conversations and an exchange of views in order to arrive at a friendly and mutually satisfactory solution of the problem of Antarctica;

2. That in the territory south of Parallel 60 degrees South Latitude, the establishment of new bases, the sending of expeditions, the collection of fees of any character, or the engaging in other similar activities by or on behalf of any signatory Government during the period while this Declaration is in effect, shall not prejudice any existing rights which any other signatory Government may possess: and that the maintenance of present bases, the establishment of new bases, the sending of expeditions, the collection of fees of any kind, or the en-

[1] This draft *modus vivendi*, undated, was sent to the Chilean Embassy on November 14, with an *aide-mémoire* of that date, not printed.

[2] A memorandum of conversation by Andreas G. Ronhovde, Chief of the Division of Northern European Affairs, September 24, not printed, reported his conversation of that date with Rodriguez, in which the latter presented Chile's proposed revisions of the draft *modus vivendi*. The only substantive changes were the addition of the phrases "the collection of fees of any character" and "the collection of fees of any kind" in Article 2 (702.022/9-2451). These changes and most of the other changes were incorporated into the new U.S. draft.

gaging in other activities during this period by any signatory Government shall not be invoked at any time against other signatories of this Declaration as giving any rights in the area additional to those which it may possess on the date of the signature of the Declaration:

3. That any one of the signatory Governments and their nationals may carry out explorations and scientific research in any part of the area; and that on grounds of international courtesy, expeditions travelling under the flag of any country signatory to this Declaration may be permitted in the other signatory countries to obtain supplies or other necessary facilities in accordance with international usage;

4. That the signatory Governments will exchange scientific information relating to the Antarctic, including the regular exchange of books, pamphlets, periodicals, maps, navigation charts, photographs, descriptions, computations (calculations), and, in general, scientific data they may possess or obtain with respect to the Antarctic;

5. That the signatory Governments will establish an Antarctic Consultative Committee, with headquarters in the City of ——— composed of one member for each country, the Chairmanship of the Committee to be rotated annually; that the signatory Governments will inform the Committee of their projected activities and the results of their scientific research and study in the Antarctic; and that the Committee will establish its own regulations;

6. That the Committee shall not have the power to request changes in the plans of any country or those of its nationals but, in order to achieve the proper coordination, it shall furnish information concerning the plans or projects of any country or of its nationals that may be duplicated, in whole or in part, by new plans or projects, particularly in the matter of camp sites.

7. That the Committee shall inform the signatory Governments concerning any situation that may arise in case a country not a signatory to this Declaration indicates an intention or desire to carry out explorations or scientific research or study in the Antarctic:

That the signatory Governments agree by the terms of this Declaration not to assent to any such expedition during the life of this Declaration, except on condition that it shall not be invoked as a basis for territorial claims.

8. That in case this *status quo* is threatened by events of any nature, the signatory Governments will communicate with each other, in order to agree upon the measures which they consider it desirable to adopt in the interest of maintaining the *status quo*.

This Declaration shall come into effect immediately and shall remain in force for eight years. Six months before this period expires, the signatory Governments will consult with each other concerning the advantage of meeting in an Antarctic Polar Conference. If, within six months prior to the expiration of the eight-year period, none of the signatory Governments indicates to the others a desire to terminate this Declaration, the period of its duration shall be understood to be automatically extended for successive periods of one year, subject to termination at the end of any such one-year period by any signatory Government, provided that at least six months' notice to the other signatory Governments has been given.

Done in the City of ———, on the ——— day of the month of ———, in the year one thousand nine hundred and fifty ———.

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*Editorial Note*

On November 19, the Governments of Argentina, Chile, and the United Kingdom exchanged statements declaring their intention not to send warships south of 60° latitude during the 1951–1952 Antarctic season. The statements were similar to those exchanged annually by the three governments since January 18, 1949. For the text of the 1951 statements, see *Parliamentary Debates*, House of Commons, 5th series, Volume 494, col. 2023; for documentation concerning the antecedents of the first exchange of statements on January 18, 1949, see *Foreign Relations*, 1948, volume I, Part 2, pages 962 ff. The Department of State issued a press release November 20, 1951, taking note of the exchange of statements and stating that the United States did not contemplate sending any vessels to Antarctica during the 1951–1952 Antarctic season; for text, see Department of State *Bulletin*, December 10, 1951, page 941.

# INDEX

# INDEX


Abaca, 1610
Abrasives, 1038
Acheson, Dean G.:
  Antarctica, 1720–1721
  Armaments, regulation, U.S. policy regarding, 443–444, 454–455, 458–459, 466–470, 476–479, 483, 496, 510–511, 513–515, 517, 533–534, 543–548, 551, 558–562, 564–568, 570–574, 576–584, 587–588, 590–593, 595, 597, 599–600, 604, 609
  Atomic energy, foreign policy aspects of U.S. development, 685–687, 694, 702, 703*n*, 721, 739, 746, 748, 750, 755–757, 760–765, 768, 773*n*, 776–778, 781–783, 786–787, 793, 798
  Atomic weapons, use, 826
  Canadian-American consultations regarding world situation, 92
  Collective Measures Committee of the United Nations, U.S. policy regarding, 616–620, 628, 632–638, 642–645, 647–648, 656, 658–659, 661, 663, 665, 669, 679
  Falkland Islands, Argentine claim, 1719*n*
  Far East, military situation, 89
  Foreign aid program, 277, 279–280, 287–293, 295, 296*n*, 298, 303, 306–307, 312, 314–315, 317, 334–335, 338, 347–359, 428–430, 437*n*
  General Agreement on Tariffs and Trade, 1260, 1263–1264, 1266–1270, 1272, 1273*n*, 1278–1289, 1292, 1295–1298, 1300–1301, 1304–1307, 1310–1319, 1323–1333, 1335–1336, 1338–1340, 1342–1343, 1345–1346, 1348–1359, 1361–1365, 1367–1371, 1381–1383, 1385–1393, 1395–1398, 1401–1414, 1419–1423, 1427, 1430–1431, 1436, 1439–1440, 1449–1452, 1454–1456, 1458, 1464, 1478, 1480–1481, 1483, 1485–1487, 1489–1492, 1494–1496, 1499, 1502–1503, 1520*n*, 1521–1522, 1526–1528, 1530–1533, 1538–1541, 1548–1549, 1551–1560, 1572
  International information program, 907*n*, 908–911, 916, 918, 922, 934*n*, 935, 938, 940–941, 963
  Korean conflict, proposed armistice, 857, 861
  Land reform program in foreign areas, U.S. policy regarding, 1666*n*, 1668–1670, 1682–1684
  National security objectives and programs, 48–49, 58, 91, 94*n*, 100, 110, 116–117, 176–177, 180, 224, 234, 238–239, 254*n*, 808–809
Acheson, Dean G.—Continued
  Petroleum, U.S. policy regarding, 966–968
  Point Four program, 1641*n*
  Psychological Strategy Board, establishment, 58
  Soviet political and military intentions, 85–88, 118–120, 173
  Trade Agreements Extension Act of *1951*, 1373, 1379–1381
  Trade with the Soviet bloc, U.S. policy regarding, 993–994, 996, 998, 1006, 1008, 1009*n*, 1013, 1015, 1018*n*, 1020–1026, 1035, 1045, 1049, 1053–1054, 1056, 1065, 1071, 1073–1076, 1079, 1082–1083, 1093, 1104–1106, 1109–1112, 1115–1119, 1121, 1126, 1128–1132, 1134–1138, 1142–1143, 1145–1149, 1151, 1153–1159, 1161–1164, 1174, 1180, 1182, 1184–1185, 1192–1193, 1199–1200, 1213–1215
  Treaties of friendship, commerce, and navigation, modification, 1239
  U.S. bases in Canada, discussions concerning use of atomic weapons at, 814, 841–854, 894–895, 897, 900–901
  U.S. bases in the United Kingdom, discussions concerning use of atomic weapons at, 802–808, 811–812, 826, 833, 865, 875–883, 890–893
Achilles, Theodore, 1162–1163
Afghanistan, 46–47, 69, 155–156, 276, 840, 868, 946, 1011, 1018–1019, 1103, 1208–1209, 1643, 1652, 1679
Africa, 12, 274–275, 294*n*, 378, 390, 393, 403, 420, 423, 425–426, 1011, 1018–1019, 1574, 1577, 1641*n*, 1655, 1659
Agricultural Adjustment Act of *1933* (*see also under* General Agreement on Tariffs and Trade), 1373, 1378–1381
Agriculture, U.S. Department of, 57, 969*n*, 1003, 1011, 1034, 1276, 1278–1279, 1282, 1285*n*, 1289, 1293–1294, 1296, 1310–1313, 1320, 1324, 1327, 1345, 1375, 1430, 1432–1435, 1439–1440, 1442, 1445, 1447, 1453*n*, 1454, 1456–1457, 1459, 1465, 1470, 1472, 1474–1476, 1478, 1611, 1643–1644, 1656, 1670–1671
Ainsworth, H. Gardner, 1020*n*, 1075*n*, 1109*n*, 1128*n*, 1129*n*, 1131, 1138
Alaska, 221, 1702, 1722–1724
Albania, 77, 925, 945, 1027, 1035, 1037, 1046*n*, 1382*n*, 1703
Alberto, Adm. Alvaro, 790, 792–793

Allen, Patten D., 1283, 1503–1504
Allen, Ward P., 500–501, 519, 522–523, 529, 531, 542, 556–558, 562, 574–576, 626, 630–631, 654–655
Alphand, Hervé, 997–998, 1007, 1110
Aluminum, 214, 220, 1152, 1164, 1276, 1278–1279, 1282, 1293
American Bar Association, 600
American Republics (*see also under* Korean conflict: Country positions):
  Ministers of Foreign Affairs, fourth meeting of consultation, *Mar. 26–Apr. 7, 1951*, 70, 79, 81, 131, 644*n*, 783*n*, 1068–1069, 1089, 1092, 1123, 1141, 1206, 1301
  Organization of American States, 329–330, 387–388, 408, 420, 867, 1092, 1197, 1647, 1672, 1733
  Petroleum policy, 974, 982
  Strategic materials, production, 420, 1096, 1610
  Territorial sea, policies regarding, 1699, 1707
  Trade with the Soviet bloc, 1011, 1018–1019, 1031, 1062, 1068, 1088–1089, 1092, 1099, 1123, 1141, 1188, 1206
  U.S. economic and military assistance, 270–271, 275–276, 282, 284*n*, 294*n*, 296, 313–314, 316, 329–330, 349, 362, 384–387, 390, 392–393, 403–404, 407–408, 420–423, 425, 427, 439, 1574, 1641*n*, 1642, 1645, 1652, 1659
  U.S. policy, 945–946
  Western hemisphere defense role (*see also under* National security policy), 385–387, 407–408, 420, 1722, 1731–1733
Amosite, 1094
Anderson, Eugenie, 1126
Anderson, Rex A., 1109, 1156*n*, 1157
Anderson, Stratton, 621
Andresen, August H., 1425, 1431, 1434, 1443–1445, 1452
Andrews, Stanley, 1311, 1643
Anglo-Iranian Oil Company, 37
Angola, 220, 1019
Antarctica: Argentine claims, 1719, 1720*n*, 1721, 1726–1729, 1731–1733, 1736; Australian claims, 1726, 1732; Belgian interests, 1727; British policy, 1720–1721, 1726–1729, 1732–1733, 1736; Chilean claims, 1715–1718, 1720–1721, 1726–1734, 1736; French policy, 1726; German Federal Republic interests, 1727; *modus vivendi*, proposed, 1715–1717, 1726–1727, 1729–1731, 1734–1736; New Zealand claims, 1726, 1732; Norwegian policy, 1726, 1729; Soviet policy, 1716, 1727–1731; U.S. policy, 1725–1733, 1736
Antimony, 215, 220, 1094
Anti-Smuggling Act of *1935*, 1697–1699, 1704, 1713
Arab states: British policy, 975; Israel, truce with, 69, 140, 155, 205–206, 402; neutralism, 376; situation in, 131, 140, 205–206, 306; strategic importance, 47; U.S. economic and military assistance, question of, 275, 349, 376–378, 402–403, 406–407, 420–421, 423, 1643, 1652, 1657; U.S. policy, 375–376, 971*n*, 974*n*, 983*n*
Arctic: Canadian interests in and policy toward, 1722–1725; sector principle, 1722–1725, 1729; Soviet policy, 1723–1725; U.S. policy, 1722–1725
Arents, M., 1553
Arey, Hawthorne, 1599, 1605, 1615, 1619
Argentina (*see also* Argentine claims *under* Antarctica), 207, 221, 349, 1019, 1102, 1188, 1205, 1208–1209, 1235, 1433, 1437*n*, 1547
Armaments, regulation and control (*see also* Atomic Energy Commission; Commission for Conventional Armaments; Disarmament Commission *under* United Nations):
  Biological warfare, proposed prohibition, 446, 450, 453, 462, 489, 553, 556*n*
  Census of armaments and armed forces, proposals concerning, 452–453, 455–456, 458–460, 463–464, 469–472, 483–484, 489, 496, 599
  Chemical warfare, proposed prohibition, 446, 450, 453, 462, 489, 553, 556*n*
  Chinese People's Republic representation, question of, 459–460, 482, 501, 506–507, 510–512, 514, 520, 530, 552, 573, 584
  Country positions: Australia, 506, 543, 564; Canada, 540, 543, 552, 564; China, Republic of, 540; Czechoslovakia, 612; Dominican Republic, 525; Egypt, 595, 612; France, 504–507, 509–510, 512, 520, 527–534, 547, 567–569, 574–576, 578–583, 591, 593–596, 604–605, 607–609; Greece, 530; Haiti, 525; India, 540, 591–593, 596, 598; Iraq, 593–595; Lebanon, 612; New Zealand, 506, 543, 564; Pakistan, 525, 593–595; Peru, 612; Poland, 612; Soviet Union, 446–448, 451–452, 456–458, 462, 464, 468, 470–473, 478–479, 484, 487, 490–491, 494, 496–500, 503–513, 516–518, 520, 522, 530, 539–542, 546–547, 552, 554, 560 564–566, 572, 583–584, 587–588, 591–595, 596–597, 601–603, 606, 609, 611–612; Syria, 593–595; tripartite (France, United Kingdom,

Armaments, regulation and control—Continued
Country positions—Continued
United States) consultations and declaration, 579–588, 591–599, 602–605, 609–612; Turkey, 530, 540; Union of South Africa, 543, 564; United Kingdom, 498, 500–515, 519–536, 540, 542–543, 547, 558, 564–569, 579–583, 591, 593–597, 604–605, 607–610; United States, 443–469, 471–501, 507, 510, 512–536, 538–549, 552–567, 570–575, 577–584, 587–599, 601–612, 847; Yugoslavia, 530, 540
Disclosure question, 453–454, 471–472, 479–488, 490, 496–497, 500, 502, 508, 511–513, 517, 520, 524–527, 529–530, 532, 535–536, 544, 550, 558, 560–563, 566, 568–571, 573, 581, 585–586, 590–591, 592*n*, 593, 598–599, 614
General Assembly actions and considerations, 1, 446, 451, 478, 484–485, 501–502, 509*n*, 513, 516, 518–520, 522–523, 526–532, 534, 538, 540–541, 545–547, 551–553, 555, 557–560, 563–565, 567, 569, 576, 578–589, 591–598, 601–615, 680, 963
German Federal Republic participation, proposed, 584
Inspection and verification questions, 447–448, 453–454, 461–462, 464, 469, 472–476, 479–492, 496, 502, 507–509, 511–513, 517, 520, 524–527, 529–530, 532, 535–536, 544, 549–550, 558, 560–563, 566, 569–572, 578, 581, 585–586, 590–591, 592*n*, 593, 598–599, 614
Irish participation, proposed, 584
Italian participation, proposed, 584
Japanese participation, proposed, 584
Portuguese participation, proposed, 584
Reduction and limitation of armaments and armed forces, proposals concerning, 477, 450–453, 457–462, 469–470, 473, 477–478, 481–485, 489–497, 499, 503–506, 510, 512, 514, 516–517, 520–526, 530, 533–536, 539–544, 546–551, 553–555, 558–570, 581–582, 584–586, 596, 606, 613–614
Safeguards, 451, 461, 469, 474, 482, 487, 490–492, 505, 507–508, 512, 535, 553, 555, 560, 569, 586, 613–614
Security Council role, 451, 472, 484, 501, 540, 554–555, 585–586, 597, 611, 613–615
Soviet satellites, proposed inclusion, 482, 503, 521, 530, 584
Spanish participation, proposed, 584
Armstrong, Willis C., 1009*n*, 1012, 1117, 1229
Armstrong, W. Park, 119–120, 312, 445, 448, 453–454, 782, 853, 976, 1671*n*
Army, U.S. Department of the, 924, 929–930, 951, 983
Arneson, R. Gordon, 92, 454, 456, 465, 523, 534, 545*n*, 546, 588, 687*n*, 690–691, 695–699, 701–702, 704, 713, 720, 733, 736, 739, 748–750, 752, 767–769, 772–773, 775*n*, 778, 781–782, 790 799, 809–814, 820–833, 834*n*, 841–842, 845–861, 864–865, 874*n*, 875, 891–894
Arnold, Elting, 1615, 1619
Arnold, Maj. Gen. William A., 1348
Arouca, Manuel, 775
Artajo, Alberto Martin, 780–781
Asbestos, 215, 219–220, 222, 1038, 1094, 1152
Asia (*see also* Far East): Chinese People's Republic's policy, 197, 203–204; Soviet policy, 197–199, 203; U.S. economic and technical assistance, 294*n*, 1574, 1645, 1659
Atomic Energy Act of *1946*, 685, 695, 709, 721–722, 729, 738, 746, 749–750, 757, 761–764, 766–769, 771, 777–778, 785, 787, 795–797, 820, 882, 899*n*
Atomic Energy Commission, U.S., 213, 215, 456, 465, 469, 480, 486–488, 490, 497, 513*n*, 589, 685–686, 690, 694–695, 697–698, 710–711, 720, 722–730, 736, 738, 739*n*, 745, 747–748, 750–752, 757–773, 777, 779, 781–790, 793–798, 800, 820–821, 823, 829, 1003, 1610
Atomic energy, foreign policy aspects of U.S. development (*see also* Atomic energy, proposed international control):
Anglo-American-Belgian consultations regarding, 713–715, 733–739, 742–746
Anglo-American-Canadian cooperation, 721–728, 738, 746–748, 753, 776–777, 787
Atomic Energy Commission Control Lists, 685–687, 1102, 1104, 1136–1137, 1139, 1160
Australian interests and position, 762
Belgian Congo: Uranium export tax, proposed, 699–702, 713–719, 730–737, 743–745; uranium mining area, security, 687–689, 700–701, 717, 739–742; uranium production, 751, 779, 794
Belgian interests and position, 688–689, 699–703, 713–719, 727, 730–734, 752, 787, 791
Beryl, 694–695, 710, 712
Brazilian interests and position, 696–699, 711, 783–784, 790–793
British interests and position, 685, 690–693, 695–697, 715–719, 725, 730–731, 747–750, 756–761, 764–769, 772–775, 798–799
Canadian interests and position, 685, 690, 725, 727, 747, 751, 772, 787, 794–798
Combined Policy Committee, 722*n*, 748–750, 752*n*, 753, 755–772, 777, 786–787, 798

Atomic energy, foreign policy aspects, etc.—Continued
French interests and position, 704–709, 778, 799–801
German Federal Republic, control of atomic energy in, 720–721
Indian interests and position, 694, 704–705, 710–712
Memorandum of understanding between Belgium, United Kingdom, and United States, *July 13, 1951*, 742–745
Monazite, 694–698, 699*n*, 710–712, 790, 792
Plutonium, 725–728, 759, 777
Portuguese interests and position, 775–776, 779
Quebec Agreement between President Roosevelt and Prime Minister Churchill, *Aug. 19, 1943*, proposed publication, 690–694, 696*n*, 703, 822, 899
Soviet bloc and Chinese People's Republic, control of exports of atomic energy items to, 685, 706–707, 724–725, 748, 993*n*, 1030, 1051–1052
Spanish interests and position, 779–781, 789, 793–794
Technical cooperation program, 725, 729–730
Thorium metals and compounds, controls over, 685, 694–695, 697*n*, 710–711
Union of South Africa's interests and position, 727, 750–752, 791
U.S. policy and position, 1, 685–699, 703–704, 710–712, 715–731, 755–763, 765–766, 768–773, 776–777, 784–789
Uranium, controls concerning, 685, 687, 689, 694, 699–703, 710, 712–719, 723–724, 726, 728, 730–732, 734–737, 739–740, 743–747, 751, 753, 762, 776, 779–781, 783, 787, 789, 791–796, 799–801
Atomic energy, international control (*see also* Atomic Energy Commission; Disarmament Commission *under* United Nations):
Atomic weapons, proposed prohibition, 446, 451, 453, 509*n*, 510–511, 517–519, 535, 537–541, 554–555, 561, 572, 582–583, 585–586, 588, 592, 597, 602–608, 610, 613–614, 822, 835
Baruch Report, *1946*, 474, 589
Census of atomic weapons, proposed, 458, 471, 486
Country positions: Brazil, 443; Canada, 443*n*, 521, 540; China, Republic of, 521; France, 521; Netherlands, 540; Soviet Union, 463, 470, 484, 510–511, 517–519, 537, 539, 541, 547, 572, 600, 602, 606, 822–823, 847; United Kingdom, 502, 512, 521; United States, 443–444, 446, 449, 452, 462–463,
Atomic energy, international control—Continued
Country positions—Continued
467, 470, 473–474, 480–481, 484, 486, 492, 497–498, 531–532, 535, 538–542, 546, 550, 553, 570–571, 588–591, 599–600, 607, 846–847; Yugoslavia, 540
Disclosure question, 453–455, 481, 485–490, 532, 536, 546, 562, 569, 571, 573, 599
General Assembly actions and considerations, 443, 446, 474, 518, 540–541, 602–604, 606–607, 613, 822, 835
Inspection and verification questions, 448, 453–455, 462–465, 486, 488, 492, 502, 532, 550, 569, 578, 589, 599, 602, 604, 606
Safeguards, 607
Security Council role, 484
Attlee, Clement R., 473*n*, 558*n*, 690–693, 803, 806, 808, 810–812, 814, 822, 827, 835, 842, 851, 853, 875–876, 881–882, 885, 888–894, 912
Atwood, Rollin S., 968
Auriol, Vincent, 704*n*
Austin, Warren R., 443, 570, 573, 593–598, 604–605, 609, 616, 625, 632, 642, 656–657, 679
Australia (*see also under* Armaments: Country positions; Atomic energy, foreign policy aspects, etc.; General Agreement on Tariffs and Trade: Country positions):
Antarctica, claims to, 1726, 1732
British atomic tests, proposed, 798–799
Cadmium production, 220
Collective Measures Committee of the United Nations, member, 616*n*, 684
Currency appreciation, proposed, 1589
Hyoscine production, 220
International Monetary Fund quota, 1629
Lead production, 220
Security treaty with the United States, 2, 395, 422
Soviet policy, 47
Treaty of friendship, commerce, and navigation with the United States, negotiations concerning, 1235
Tungsten production, 221
U.S. policy, 395, 401, 867, 1603
Wool production, 221, 1114
Zinc production, 221
Austria (*see also* Country positions *under* East-West trade; General Agreement on Tariffs and Trade): International Monetary Fund quota, 1629; Soviet policy, 66, 86, 124–125, 839; peace treaty, draft, 457, 459, 515–516; U.S. economic and military assistance, 326, 355, 418, 1102, 1105, 1181, 1208–1209;

Austria—Continued
U.S. occupation zone, 867; U.S. policy, 22*n*, 457*n*, 459, 483, 485, 868–869, 924, 946, 1028
Automotive parts, 1169–1178, 1180–1182
Avery, Johnston, 1671*n*

Bacher, Robert, 159
Badger, Vice Adm. O. C., 573
Bahrein, 971–973, 975–976, 980*n*, 983
Baldwin, Charles F., 1318–1319, 1338
Balkans, 947
Ball and roller bearings, 1038, 1077–1078, 1165, 1171
Ballou, George T., 969
Bancroft, Harding, 621–622, 624, 626–628, 629*n*, 634*n*, 648–653, 658–659, 667*n*, 678*n*, 679–680
Barall, Milton, 1715, 1717–1718
Barnard, Thurman L., 939–940
Barnes, Robert, 280, 445, 659*n*, 1045
Barrett, Edward W., 89, 312, 545*n*, 902–908, 910, 912–921, 923, 935–939, 941, 957–961, 1106, 1116–1117, 1124, 1671–1672, 1682, 1684
Baruch, Bernard M., 474, 588–589
Batt, William L., 348, 1284
Battle Act. *See* Mutual Defense Assistance Control Act of *1951*.
Battle, Laurie C., 341, 466, 469, 1058–1059, 1084, 1109, 1124–1125, 1168, 1176–1177, 1179, 1220
Battle, Lucius D., 94*n*, 100–101, 242–244, 287–290, 312, 344, 428, 476–477, 545–546, 548, 593, 638*n*, 659*n*, 665, 1106, 1116, 1263*n*
Bauxite, 214–215, 219–220, 222
Bay, Charles U., 1126, 1388, 1396
Beale, Thomas, 1145*n*
Beale, Wilson T. M., 1266*n*, 1267*n*, 1270*n*, 1278–1279, 1297, 1301–1304, 1312–1313, 1316–1317, 1523*n*
Bebler, Ales, 622–624
Bechhoefer, Bernhard G., 497–498, 519, 522–523, 527, 529, 532, 542, 556, 562–564, 574, 581, 599–600, 678*n*
Beckerley, James G., 720
Beckett, Sir Eric, 1688–1689, 1691, 1693–1714
Bedford, Clay P., 255
Belair, Felix, 1123
Belgian African colonies, 1014
Belgian Congo (*see also under* Atomic energy, foreign policy aspects, etc.), 220–221, 687–689, 699–702, 713–719, 730–745, 751, 779, 794, 1012
Belgium (*see also Belgium and Belgian subheadings under* Atomic energy, foreign policy aspects, etc.; East-West trade; General Agreement on Tariffs and Trade; North Atlantic Treaty Organization): Antarctica, interests in, 1727; Collective Measures Committee of the United Nations, member, 616*n*, 684; inflation problem, 251; International Monetary Fund quota, 1626–1629; treaty
Belgium—Continued
of friendship, commerce, and navigation with the United States, negotiations concerning, 1234–1235; U.S. economic and military assistance, 326–327, 1102; U.S. policy, 946
Belgo-American Commission on Congo Defense, 740–742
Belgo-Luxembourg Economic Union, 1492, 1496–1498, 1505
Bell, Bernard, 1632
Bell, Daniel W., 273, 355
Bell, John O., 326–328
Bellows, Everett H., 907–908, 911–912
Benelux countries (*see also under* General Agreement on Tariffs and Trade: Country positions), 1235
Bennett, Henry G., 302, 315, 1641–1645, 1648–1651, 1652*n*, 1658, 1660–1662, 1683
Benton, William, 907–908, 911*n*, 917–918, 933
Berding, Andrew H., 255, 907, 911–912
Berendsen, Sir Carl, 1427–1430
Berger, Samuel D., 1124
Berle, Adolph A., 348
Berlin blockade, 108
Berlin question, 5, 21*n*, 24, 124–125, 240
Berry, Burton Y., 1682
Berthoud, Eric A., 1070–1072, 1093, 1134, 1142–1143, 1149, 1151–1153, 1158, 1165, 1398*n*
Beryl, 213, 219–220, 223, 694–695, 710, 712, 1094
Bevan, Aneurin, 310, 891
Bevin, Ernest, 802–807, 881, 884, 1263
Bidault, Georges, 569
Bingham, Jonathan, 390*n*
Birch, John A., 1283
Bishop, Max W., 92*n*, 1026*n*
Bismuth, 215, 220
Bissell, Richard, 237, 437*n*, 1122, 1142, 1493–1494, 1519–1520, 1593–1596, 1599, 1605, 1615, 1617
Bitterman, Henry J., 1619
Black, Eugene R., 1592, 1596, 1599, 1601–1603, 1605–1607
Blackburn, A. Raymond, 691–692, 695–696
Blaisdell, Thomas C., 1582–1583
Blau, Clarence I., 1619
Blick, Milton H., 1344, 1346
Blough, Roy, 230*n*
Boggs, Marion W., 1652*n*
Boggs, Samuel W., 1696, 1714
Bohlen, Charles E., 106–109, 163–175, 177–178, 180–181, 234–235, 238, 244–245, 545*n*, 937–939, 941, 976, 1169*n*, 1178, 1210
Bohr, Niels, 468, 762
Bolivia, 220–221, 386, 1019, 1102, 1188, 1207, 1209, 1235, 1629, 1671
Bolté, Lt. Gen. Charles L., 33, 463, 648, 865, 875, 898
Bonbright, James C. H., 529, 531–532, 782, 898, 1198*n*, 1671*n*

Bonesteel, Col. Charles H., 286, 294–296, 300, 307–312, 331
Bonnet, Henri, 118–119, 574–576, 579, 1075, 1273
Bonsal, Philip W., 558*n*, 559, 566–568, 1013–1017, 1164–1166, 1218–1220, 1330, 1333, 1391, 1395, 1401–1402
Boochever, Louis C., 1484
Botha, P. R., 1283
Bowers, Claude, 1720–1721
Bowker, Reginald James, 577, 579
Boyd, J. G., 497, 500, 1728*n*
Boyer, Marion W., 755
Bradley, General of the Army Omar N., 33, 36, 61–62, 75–76, 104–106, 158, 240–244, 295, 431–435, 463–464, 549–551, 749–750, 769*n*, 786–787, 803, 805–806, 808, 811, 826, 833, 842–843, 865–866, 875–877, 879–883, 885, 887–890, 895, 898, 1052–1053, 1732–1733
Bramble, Harlan, P., 1229
Brannan, Charles F., 57, 1023, 1025, 1035*n*, 1054, 1069, 1280, 1311, 1313, 1431, 1436, 1444–1445, 1449–1450, 1476, 1666*n*, 1668–1669, 1682–1683
Bray, William H., 112–118, 308*n*
Brazil (*see also Brazil and Brazilian subheadings under* Atomic energy, foreign policy aspects, etc.; Atomic energy, international control; General Agreement on Tariffs and Trade), 220–221, 616*n*, 647, 684, 946, 1019, 1039, 1102, 1188, 1208–1209, 1581, 1596*n*, 1629
Bretton Woods International Agreements Act, *1945*, 1506*n*, 1573*n*, 1638
Briggs, Ellis O., 1383–1385, 1391
Bristles, hog, 213, 219–220, 222
British African colonies, 1019
British Borneo, 980*n*
British Guiana, 220
Bronz, George, 1487–1488, 1619
Brookings Institution, 302, 1655
Broustra, Vincent, 567, 579
Brown, Ben H., 408, 1117
Brown, Emerson I., 792
Brown, Winthrop G., 968, 1229, 1245*n*, 1260–1264, 1266*n*, 1321*n*, 1324, 1344–1345, 1373, 1464*n*, 1466–1467, 1523*n*, 1525*n*, 1537
Bruce, David K. E., 528, 542–543, 557–559, 563, 566–569, 579, 704*n*, 799, 993–994, 1070–1071, 1082–1083, 1115–1116, 1131-1132, 1153–1154, 1157–1158, 1193–1194, 1223–1224, 1269, 1271–1273, 1357, 1395, 1548
Bruggmann, Karl, 1103–1104
Bryn, Dag, 1006–1008
Budget, U.S. Bureau of the, 112, 215, 225, 228, 261–264, 277, 281–286, 288–289, 291–295, 299, 305–308, 312, 315–316, 319, 331, 339, 343, 402–403, 409, 411, 428, 906–907, 912*n*, 918, 953, 1026, 1065, 1196, 1202–1203, 1212, 1546, 1582, 1592, 1605, 1610*n*, 1618, 1646, 1652
Bulgaria, 86–87, 459, 925, 945, 1027, 1035, 1037, 1040, 1046*n*, 1382
Bullock, Roy, 1058–1059, 1117–1118
Bundy, Harvey H., 940
Buron, Robert, 1273*n*
Burgess, Guy F. de M., 752*n*, 753, 758*n*, 787, 1402, 1538
Burhop, E. H., 752, 754
Burma (*see also under* General Agreement on Tariffs and Trade: Country positions), 84, 86, 122–123, 152, 156, 197, 204–206, 273, 326, 381–382, 395, 400, 405, 422–423, 616*n*, 869, 945–946, 980*n*, 1081, 1103, 1208–1209, 1594, 1652
Burns, Maj. Gen. James H. (ret.), 1731
Burns, R., 1301–1304
Burrows, Charles R., 1731
Butterworth, W. Walton, 994–996
Byrd, Harry Flood, 280
Byrns, Kenneth A., 1694
Byroade, Henry A., 1116, 1671*n*

Cabell, Maj. Gen. Charles P., 898
Cabot, Thomas D., 112, 117, 265, 287, 312, 329–339, 390*n*, 437–440, 934, 940, 1106, 1116, 1651*n*
Cadmium, 215, 220
Cain, Harry P., 1122, 1126
Caldwell, Millard, 237
Cambodia (*see also* Indochina), 1207
Camp, Miriam, 439, 1020*n*, 1065*n*, 1070–1072, 1079*n*, 1104*n*, 1109*n*, 1128*n*, 1129*n*, 1134*n*, 1145*n*, 1154*n*, 1156*n*, 1158*n*, 1192*n*, 1198*n*, 1201*n*, 1202*n*, 1214*n*, 1216*n*, 1219–1220
Campbell, Peter, 860
Canada (*see also Canada and Canadian subheadings under individual countries and subjects*):
  Aluminum production, 220
  Arctic: Interests in and policy toward, 1722–1725; joint Canada-U.S. weather stations program, 1724
  Cobalt production, 220
  Collective Measures Committee of the United Nations, member, 616*n*, 684
  Copper production, 220
  Defense: Arrangements with the United States, 852–853; efforts, 1027
  International Monetary Fund quota, 1626–1627, 1629
  Iridium production, 220
  Lead production, 220
  Mica production, 221
  Nickel production, 221
  Permanent Joint Defense Board, 853, 860, 895, 897
  Platinum production, 221
  Soviet attack, possibility, 27
  Territorial sea, policy regarding, 1690
  U.N. Korean Reconstruction Agency, contribution, 359

Canada—Continued
U.S. aid, 327
U.S. bases in, discussions with the United States concerning use of atomic weapons at, 12, 802, 809–814, 827–833, 835–836, 840–864, 876–877, 881, 894–897, 900–901
U.S. policy, 946, 1103, 1723
Zinc production, 221
Cannon, Clarence, 428–430, 993, 1011, 1018, 1030, 1053, 1122
Carbon, 1094
Cardozo, Michael H., 1117, 1179, 1467
Carns, Col. Edwin H. J., 463, 883, 898
Carroll, Wallace, 921*n*
Carter, Henry, 621, 624
Carter, Brig. Gen. Marshall S., 894–897, 900
Casdagli, E. T., 1274, 1288, 1306
Cassiers, Georges, 1485, 1487, 1538, 1553, 1555–1556
Castor oil, 215, 219–220, 223
Catudal, Honoré M., 1538–1540
Celestite, 215, 220
Census Bureau, 1553–1554
Central Intelligence Agency, 4*n*, 26, 82–83, 85, 93, 110, 120–127, 129*n*, 146, 167, 173, 183–184, 192–207, 244, 471–472, 480, 488–490, 497, 722, 752, 777, 973, 983, 1003, 1026, 1034, 1090–1091, 1117, 1191, 1207, 1213
Ceylon. *See* Sri Lanka.
Chapin, Selden, 1126, 1412
Chapman, Oscar L., 967*n*, 968, 1023, 1025, 1035*n*, 1054, 1069, 1279
Chapman, Wilbert M., 1685–1686, 1689, 1692, 1713–1714
Charpentier, Pierre, 1391, 1395, 1401
Chase, Joseph, 92, 523, 556, 588, 592*n*, 600, 720, 755–764, 859–864, 891
Chauvel, Jean, 567–569, 579
Cherwell, Lord, 774, 899
Chiang Kai-shek, Generalissimo, 90, 273–274
Chile (*see also* Chilean claims *under* Antarctica), 220–221, 1019, 1102, 1188, 1208–1209, 1249, 1407, 1566*n*, 1629, 1707
China, People's Republic of (*see also Chinese subheadings under* Indochina; Korean conflict; Southeast Asia; Taiwan; United Nations):
Bristles production, 220
British policy, 10, 1076
Feathers and down production, 220
Military strength, 193–195, 203
Political and military objectives, 197
Silk production, 221
Soviet policy, 4, 64, 67, 123, 130, 152, 186, 203, 1040–1041
Tibet, invasion, 68
Tin production, 221
Tungsten production, 221
U.S. policy, 9, 17–18, 48, 99, 457, 851–852, 869, 921, 945, 947
China, People's Republic of—Continued
U.S. trade embargo, 241, 624*n*, 631, 993*n*, 1001–1002, 1004–1005, 1027–1028, 1030–1031, 1035, 1042, 1044–1046, 1048, 1051, 1053, 1059, 1068, 1073, 1076, 1087, 1089–1090, 1099, 1125, 1166, 1168, 1186, 1188–1189, 1192, 1382*n*
China, Republic of (*see also* Taiwan; Country positions *under* Armaments, etc.; Atomic energy, international control; General Agreement on Tariffs and Trade):
Guerrilla warfare experience, 84
International Monetary Fund quota, 1629
Joint Commission for Rural Reconstruction, 1594, 1669–1671
Joint U.S. Military Advisory Group, 78
U.S. economic and technical assistance, 355–356, 398, 404, 420–421, 1103, 1121, 1140, 1207, 1209, 1593–1594, 1605, 1652
U.S. military assistance, 78, 272–274, 317, 326, 356, 381–382, 384, 395, 398, 404, 411, 419–420, 426, 429, 435
U.S. policy, 2
Chou En-lai, 118
Chromite, 215, 219–220, 223
Chromium, 1094
Chrysolite, 1094
Churchill, Winston S., 24, 450–451, 558*n*, 608, 690, 692–694, 703, 774, 803, 888, 891–894, 898–900
Civil Aeronautics Act, 1702
Clague, Ewan, 255
Clapp, Gordon, 1658
Clark, Duwayne, 1413*n*
Clark, John D., 230*n*
Claxton, Brooke, 895
Clay, Gen. Lucius D., 968
Clayton, William L., 348, 1265
Cleveland, Harlan, 1589–1591
Clevenger, Cliff, 932–933
Coal mining equipment, 1151–1152, 1164
Cobalt, 213, 218–220, 222
Cockroft, Sir John, 701
Coconut oil, 215, 219–220, 223
Cody, Morrill, 903
Cohen, Benjamin V., 573, 608
Cohen, E. A., 1346–1348, 1370
Collective Measures Committee of the United Nations:
British policy toward, 621–623, 625, 629–633, 645–653, 656–659, 661, 674, 684
Canadian position, 622, 626–628, 647–648, 654–655, 684
French policy toward, 623–624, 628–629, 632–633, 645–648, 652–653, 657–659, 661, 674, 684
General Assembly role, 636, 640, 642, 644, 651–652, 654–656, 658–663, 665, 668–674, 676–684
Indian position, 647

Collective Measures Committee of the United Nations—Continued
Members, 616*n*
Military experts, proposed, 619, 622, 624, 627, 634, 645–646, 667–668, 675, 678, 680, 683
Military forces and facilities, proposed, 623–624, 627–629, 631, 633–634, 636–639, 641–653, 656–658, 660–668, 671, 673–677, 680–681, 683
North Atlantic Treaty Organization relationship, 624–625, 629, 631–633, 643, 648, 654–655, 657–658, 660–661, 674, 680, 681*n*
Organization and plan of work, 621–625, 628, 632–636, 639–641
Pakistan position, 647
Report, 668–684, 1189
Role and functions, 595, 611, 616–684
Security Council role, 619, 636, 642, 644, 650–651, 654, 660, 670–672, 677, 680, 684
Soviet attitude toward, 618, 632–633, 640, 649, 672, 680
U.S. policy toward, 616–684, 1090, 1189, 1197
Collins, Gen. J. Lawton, 33, 35–37, 158, 463–464, 865–866, 875, 877–879, 898–899
Colombia, 220–221, 1019, 1102, 1208–1209, 1627, 1629
Columbite, 213, 218–220, 222
Combined Policy Committee. *See under* Atomic energy, foreign policy aspects, etc.
Commerce, U.S. Department of, 686, 967, 969*n*, 1001, 1003, 1009–1012, 1034, 1045, 1049–1050, 1054, 1065, 1075, 1090–1091, 1102, 1105, 1124–1125, 1166, 1169, 1171, 1176, 1180, 1191, 1199–1201, 1207, 1212–1213, 1216, 1218, 1220, 1276, 1278–1279, 1293–1294, 1320, 1324, 1327, 1345, 1375, 1411, 1495, 1582, 1611, 1656
Commission on Organization of the Executive Branch of the Government (Hoover Commission), 906, 908–909, 936
Committee on Economic Development, 1124
Committee on the Present Danger, 339–341, 1124
Commodity Credit Corporation, 1279, 1610
Commonwealth (*see also Commonwealth subheadings under* General Agreement on Tariffs and Trade): British relationship, 45, 66; Colombo Plan, 273, 349; guerrilla warfare experience, 84; Middle East security, role, 976; strategic importance, 45–46, 99, 241–244, 871; U.S. economic and technical assistance, 1574
Communist Information Bureau, 87, 119, 1383
Conant, James B., 600
Congress, U.S.:
Agricultural Adjustment Act, legislation concerning, 1424, 1453*n*, 1460, 1463–1478
Atomic energy legislation, 748, 757–758, 762–763, 771, 784–788, 882
Atomic weapons, U.S. policy regarding use, 811–812, 824–825, 835
Battle Act (Mutual Defense Assistance Control Act), 341, 349, 439, 1084–1085, 1109, 1117–1118, 1125, 1150, 1152, 1153*n*, 1161, 1166–1168, 1176–1177, 1179, 1185, 1195, 1197–1203, 1211–1218, 1221, 1223–1224, 1232, 1420
Budget, 37, 102, 267, 271
Cannon amendment, 993, 1011, 1018, 1030, 1053, 1074, 1076–1077, 1199
Civil defense program, 143, 227, 241
Defense Production Act, 1425–1429, 1431, 1433–1434, 1436, 1438, 1445, 1449–1450, 1452, 1453*n*, 1454–1455
Disarmament question, 452, 454–455, 466–469, 478, 572–573
Export-Import Bank legislation, 265, 1573, 1575–1576, 1579, 1581–1583, 1608
Far East, military situation, 89
Foreign aid legislation, 264–267, 271, 276–278, 280–283, 286, 289–292, 294, 296–297, 299–305, 311–312, 316, 318, 321, 328–329, 331, 334–335, 338–344, 347–351, 358–359, 362, 364, 369–371, 373, 389–391, 402, 404, 409–411, 418, 422–425, 427–428, 430*n*, 438–439, 714, 736–737, 905, 1096, 1172, 1179, 1197*n*, 1232, 1235, 1573*n*, 1592–1593, 1596, 1601, 1603–1604, 1622, 1625, 1637–1638, 1641–1642, 1645–1646, 1648, 1651–1653, 1655, 1657, 1659, 1661
Friendship resolution, *June 26, 1951*, 916*n*, 933
Fulbright Act, *1946*, 902*n*
Ground forces to Europe, assignment, 48
House of Representatives, 225, 428*n*, 572, 627, 785, 1073–1074, 1076, 1197*n*, 1344–1345, 1373, 1375, 1426
Appropriations Committee, 343*n*, 428–430, 919, 930, 932–933
Armed Services Committee, 321, 343*n*
Banking and Currency Committee, 1425, 1454, 1573
Foreign Affairs Committee, 318, 321, 331, 334, 338*n*, 339, 343*n*, 347–348, 350, 389, 1058, 1084, 1109, 1117, 1124–1126, 1176–1177, 1573, 1637
Interstate and Foreign Commerce Committee, 1166*n*
Ways and Means Committee, 1370*n*, 1373, 1376–1378, 1547, 1549, 1563
Information and Educational Exchange Act (Smith–Mundt Act), *1948*, 902*n*, 924, 959*n*

Congress, U.S.—Continued
International information program, 116, 145, 902*n*, 903–905, 907–911, 915–916, 919, 924, 927–929, 932–933, 937, 939–940, 953, 958, 959*n*
International Monetary Fund, U.S. participation, 1638
Joint Committee on Atomic Energy, 158, 161, 163, 748, 757–758, 762–763, 771–773, 784–785, 787–788, 797, 808, 815
Kem amendment, 349, 1073–1075, 1079*n*, 1080–1086, 1088, 1095–1109, 1112–1113, 1115–1122, 1124–1126, 1139–1141, 1150, 1153*n*, 1161, 1167–1168, 1176–1180, 1185, 1188, 1199–1200, 1203–1211, 1214*n*, 1221, 1231–1232
MacArthur hearings, 331, 922*n*
Military policies and programs, 80, 111, 142, 166, 177, 246
Mobilization program, 37, 54, 250–251, 256–260, 262–263
Petroleum policy, 989–992
Public works bill, 114, 137
Revenue bill, 225
Senate, 240*n*, 428, 430, 572, 784–785, 911*n*, 919, 1073–1074, 1076, 1197*n*, 1239–1242, 1255, 1373, 1375, 1426, 1452, 1454, 1464–1466, 1544
Appropriations Committee, 428*n*, 919, 933
Armed Services Committee, 48, 89, 321, 331, 348*n*, 389, 922*n*
Banking and Currency Committee, 1425, 1449–1450
Finance Committee, 1045, 1243, 1373, 1376–1378, 1547, 1549, 1562*n*
Foreign Relations Committee, 48, 89, 266*n*, 318, 321, 331, 343*n*, 344, 347–348, 389, 902*n*, 911*n*, 922*n*, 1122, 1177, 1239, 1241–1242, 1683
Stockpiling program, 144, 215–216, 986
Tariff, trade, and trade agreement legislation, 1255, 1263*n*, 1266, 1299, 1324–1325, 1334*n*, 1344–1345, 1370, 1373–1378, 1380, 1405, 1412, 1509, 1518, 1544, 1554, 1565
Tax legislation, 251, 1717
Territorial sea, delimitation, U.S. policy regarding, 1708
Trade with the Soviet bloc, restrictions on, 341, 349, 391, 993, 1011, 1018, 1030, 1053, 1058–1059, 1073–1076, 1079*n*, 1080–1086, 1088, 1107–1108, 1122, 1124–1125, 1129, 1136, 1140–1141, 1166–1168, 1176–1177, 1179, 1184–1185, 1200, 1217–1219, 1221
Treaties, ratification, 1239–1242
U.N. contingents for Korea, 627
War powers, 816, 819, 824, 836–840, 855, 869–870
Connally, Tom, 1122
Connelly, Matthew J., 548
Cook, Charles D., 606–608, 611–612
Coolidge, Charles A., 308*n*, 342–343, 408, 428*n*, 437*n*, 438, 934
Cooper, John Sherman, 344, 608
Copper, 214, 220, 1038, 1189
Coppock, John D., 1230
Corbett, Jack C., 1482, 1487, 1489
Cordage fibers (abaca and sisal), 214, 219–220, 222, 1094
Corfu, 1703
Corliss, James C., 968
Correa, Rodolfo, 255
Corse, Carl D., 1230, 1245–1247, 1264–1266, 1267*n*, 1268–1272, 1275–1288, 1296–1300, 1303, 1306–1307, 1310–1314, 1316, 1319–1320, 1324, 1326–1327, 1332–1336, 1338, 1343, 1345, 1348–1355, 1357–1362, 1365–1372, 1413*n*, 1422–1423, 1525–1526, 1528–1530, 1533, 1535–1539, 1541–1542
Corundum, 215, 218–220, 222, 1094
Costa Rica, 1019, 1102, 1121, 1140, 1207, 1209, 1235, 1629, 1701
Coster, Douglas W., 1166, 1180*n*, 1202*n*
Cotton, long staple, 214, 219–220, 223, 1037–1038, 1094
Coudert, Frederic R., 1109*n*
Coulson, John, 621–623, 625, 630–631, 648–652, 656–657
Council for Economic Mutual Assistance, 1041
Council of Economic Advisers, 110, 129*n*, 228, 295
Council of Foreign Ministers, 445, 449, 452, 454, 456, 458–459, 461, 463, 465, 469–470, 479, 483, 494, 517, 594, 814, 914, 916
Country positions. *See under* Armaments, etc.; Atomic energy, international control; East-West trade: General Agreement on Tariffs and Trade.
Cowan, Myron M., 1124
Cox, Arthur N., 1079*n*, 1109*n*, 1128*n*, 1129*n*, 1134*n*
Coyne, J. Patrick, 93
Cress, Col. Erle F., 33
Cripps, Sir Stafford, 1265
Crittenberger, Lt. Gen. Willis D., 629
Cuba (*see also under* General Agreement on Tariffs and Trade: Country positions), 220–221, 1019, 1102, 1207, 1209, 1626–1627, 1629, 1702
Culbert, William E., 1166
Cumming, Hugh Smith, 537–538
Customs Administrative Act of *1938*, 1379
Cyprus, 45
Czechoslovakia (*see also* Country positions *under* Armaments, etc.: General Agreement on Tariffs and Trade): Air services to Western Europe, 1191; International Monetary Fund quota, 1629; Oatis case, 1383, 1385, 1396, 1411; Soviet policy,

Czechoslovakia—Continued
86; Soviet trade, 1040; Soviet Union, attitude toward, 77; U.S. policy toward, 22*n*, 839, 925, 945, 947, 1083–1084; U.S. trade restrictions, 1027–1028, 1035, 1037, 1039, 1046*n*, 1389, 1410–1411, 1419–1420

Damon, Lt. Col. John C., 775
Daridan, Jean, 574–576
Da Silva, Barbosa, 791–792
Davies, Ernest, 575
Davies, John Paton, 19–20, 94–100, 814*n*
Davis, Rear Adm. Arthur C., 33, 833, 865
Davis, Oscar, 1692
Davis, Owen, 1303
Dean, Gordon, 687, 694–695, 710, 713–714, 721–722, 729, 733, 736–738, 743, 746–748, 752*n*, 755–763, 765–768, 772–773, 777, 783–788, 790–792, 795–798, 821*n*, 826
De Beus, J. G., 1443–1444
De Bourbon-Busset, Jacques, 579
De Cubas, J. L., 780–781, 794
Defense, U.S. Department of:
Antarctica, U.S. policy regarding, 1731
Armaments, regulation, 445, 448, 456, 477–478, 512, 519, 533, 544–546, 548, 589, 599
Atomic energy, foreign policy aspects, 687, 690–691, 721, 725–727, 730, 739, 741–742, 750, 756–759, 761–762, 764–766, 768–773, 776–777, 782, 784–786, 788, 798
Atomic weapons, possible use, 820*n*, 821, 823, 829, 841, 844, 860, 896–897
Collective Measures Committee of the United Nations, U.S. policy regarding, 633, 638–639, 641–642, 658, 663, 667, 682–683
Foreign aid program, 265–266, 276, 282, 285–286, 294–295, 302, 305, 307, 314, 318, 320–321, 327–328, 332–334, 336–340, 342, 389, 409–410, 427, 431, 433, 441–442, 1227
Guerrilla warfare, 82–83, 85
Japan, transfer of information program to, 947
National security objectives and programs, 25, 28–29, 32, 40, 51–53, 55–57, 93, 99, 110, 116, 128*n*, 129*n*, 133–134, 138, 173, 183, 225–229, 233–234, 236, 238, 240, 243–244, 257–259, 261
Petroleum program, national, 966–967, 969, 971, 977, 981–985
Stockpiling program, 208–223
Tariff questions, 1276, 1278–1279, 1293, 1375
Territorial sea, 1697
Trade with the Soviet bloc, U.S. restrictions on, 1003, 1011, 1025, 1034, 1045, 1050, 1068–1069, 1075, 1090, 1101–1102, 1108, 1124–1125, 1166, 1169*n*, 1176–1182, 1191, 1199, 1201, 1207, 1213, 1216, 1220
Defense Appropriations Act of *1952*, 432
Defense Mobilization Board, 51, 254–260, 321*n*
Defense Production Act of *1950*, 54, 209, 968*n*, 1225–1226, 1424, 1433, 1605, 1610–1612, 1616, 1618–1619
Defense Production Act Amendments of *1951*. *See under* General Agreement on Tariffs and Trade.
Defense Production Administration, 209–210, 218–219, 257, 969*n*, 1618
De Gasperi, Alcide, 1414
De Hemptinne, Prof. Marc, 699, 701
De Kaufmann, Henrik, 1159, 1163, 1427, 1430–1431, 1440–1442
De la Tournelle, Guy Le Roy, 567, 579
De Lattre de Tassigny, General of the Army Jean, 68, 399
De Margerie, Roland Jacquin, 1272*n*
Dembitz, Lewis, 1582, 1619
De Montremy, M., 1273*n*
Denmark (*see also* Country positions *under* East-West trade; General Agreement on Tariffs and Trade), 326–327, 827, 838, 849, 946, 980*n*, 1102, 1233–1234, 1239, 1626, 1629, 1696, 1723, 1725
Denney, George C., Jr., 445, 453
De Prat, Marquis, 778, 780
De Rose, François, 528, 557
De Selliers, Ernest, 1488
De Staercke, André, 998
Diamonds, industrial, 215, 218, 223, 1037–1038
Dickey, John, 658–659
Dickinson, Edwin D., 1689, 1691–1694, 1704
Di Nola, Angelo, 1331, 1339, 1356, 1390, 1397
Dixon, Sir Pierson, 502–510, 519–523, 533, 577, 579, 880, 1182
Dixon, Roger C., 1230
Dolansky, Jaromir, 1384
Dominican Republic (*see also under* General Agreement on Tariffs and Trade: Country positions), 525, 1019, 1102, 1121, 1141, 1207, 1209, 1235, 1629
Donges, T. E., 752
Donovan, Thomas A., 1412, 1551–1552
Do Prado, Bueno, 791
Dorfman, Ben D., 1536–1537
Douglas, Lewis W., 805, 881, 884
Douglas-Pennant, Adm. Sir Cyril, 763
Dow, Edward A., 1166
Dreiman, Lawrence S., 619
Drummond, Roscoe, 907–908, 911
Duclos, Jacques, 20
Dulles, John Foster, 515, 632, 656, 963
Duncan, Vice Adm. Donald B., 33, 865, 875
Dunn, James C., 1331, 1356, 1396–1397, 1401, 1403–1404, 1548, 1556–1557, 1559
Dupre, Rear Adm. M. M., 1218–1220
Durbrow, Eldridge, 937

East Asia, 2
Eastern Europe (*see also* East-West trade): Military capabilities, 193–195, 199; Soviet policy toward, 65, 77, 113, 121, 123, 149–151, 186, 194, 196, 1040; trade restrictions, 1028, 1035, 1042; U.S. policy toward, 1, 921
East-West trade (*see also* Atomic energy, foreign policy aspects, etc.: Soviet bloc, etc.):
Advisory Committee on Export Policy, 1000, 1003, 1009, 1049–1052, 1062*n*, 1087–1088, 1101, 1187, 1199
Coordinating Committee of the Paris Consultative Group of nations, 993–996, 998–1000, 1007, 1012–1013, 1015–1018, 1020–1023, 1031, 1033, 1055–1058, 1060–1063, 1068, 1070–1080, 1082–1083, 1085, 1088, 1090–1091, 1105, 1109–1111, 1114–1116, 1129–1135, 1137, 1139, 1142–1150, 1153–1154, 1157–1159, 1161–1166, 1168–1169, 1172, 1175, 1181, 1187, 1190–1195, 1197, 1206, 1217–1224
Country positions: Austria, 1038, 1075, 1107–1108, 1118, 1122, 1140, 1208–1209; Belgium, 998, 1031*n*, 1056, 1060*n*, 1075, 1119, 1126, 1133, 1164–1165, 1194, 1208–1209; Canada, 995, 1007, 1031*n*, 1060*n*, 1075–1076, 1099, 1205–1206, 1208; Denmark, 997, 999, 1006–1008, 1017, 1031*n*, 1043, 1056, 1060*n*, 1075, 1083–1084, 1112, 1118–1120, 1126, 1133, 1149–1150, 1158–1159, 1161–1165, 1169–1182, 1208–1209; France, 997–998, 1007, 1013–1017, 1021–1022, 1031*n*, 1056–1057, 1060*n*, 1075, 1094, 1114, 1118–1120, 1135, 1153, 1158, 1164, 1208–1209, 1217, 1224; German Federal Republic, 995, 1029, 1031, 1044, 1056–1057, 1059, 1060*n*, 1062, 1072, 1075, 1088, 1094, 1114, 1118–1120, 1158, 1165, 1166*n*, 1179, 1187–1188, 1194, 1208, 1210, 1222; Italy, 995, 1007, 1013, 1031*n*, 1038, 1057, 1060*n*, 1075, 1133, 1164–1165, 1208–1209, 1217; Luxembourg, 1031*n*, 1060*n*, 1075, 1133, 1208–1209; Netherlands, 997, 999, 1007, 1031*n*, 1060*n*, 1075, 1094, 1112, 1118–1120, 1126, 1133, 1164–1165, 1208–1209; Norway, 995, 1006–1008, 1031*n*, 1038, 1043, 1060*n*, 1071, 1075, 1093, 1107–1108, 1112–1113, 1118–1119, 1122, 1126, 1133, 1140, 1161, 1164–1165, 1169, 1208, 1210; Sweden, 993–996, 1013–1017, 1020–1023, 1031, 1038–1039, 1043, 1054–1055, 1061–1062, 1068, 1077–1078, 1088, 1105, 1172, 1178*n*, 1187, 1206, 1210; Switzerland, 993–996, 1015–1017, 1020–1023, 1031, 1038, 1043, 1054–1055,
East-West trade—Continued
Country positions—Continued
1061, 1068, 1077–1079, 1088, 1103–1105, 1128–1129, 1131, 1136–1139, 1154–1157, 1159–1160, 1187; tripartite (France-United Kingdom-United States) agreement on export controls, 995–996, 1012–1013, 1015–1017, 1020–1023, 1055, 1077, 1088, 1115–1116, 1129–1132, 1134, 1136–1138, 1142–1148, 1187; United Kingdom, 997–1000, 1006–1007, 1015–1017, 1021–1022, 1031*n*, 1055–1057, 1059, 1060*n*, 1070–1072, 1075–1076, 1086, 1093–1094, 1111–1113, 1118, 1126, 1133, 1148–1149, 1151–1153, 1158, 1163–1165, 1183–1184, 1193–1194, 1208, 1210, 1224; United States, 196, 341, 349, 391, 413, 422, 439–440, 686, 993, 1000–1005, 1007, 1009–1012, 1014–1015, 1018–1054, 1058–1068, 1073–1139, 1145, 1150–1151, 1153–1159, 1164, 1169–1170, 1176–1182, 1185–1224, 1389, 1671
Mutual Trade Security Advisory Committee, 1213, 1215
Negative lists, 1001, 1003, 1005
Positive lists, 1001–1003, 1005, 1009–1010, 1016–1017, 1021–1023, 1030, 1043, 1049–1055, 1059–1060, 1066–1068, 1071, 1074–1078, 1082, 1085, 1087–1088, 1102, 1104–1105, 1107–1108, 1110–1111, 1115–1116, 1121–1123, 1128–1131, 1134–1138, 1141–1144, 1146–1149, 1151–1154, 1157–1161, 1164–1166, 1170–1172, 1174–1175, 1181, 1186–1187, 1192–1193, 1205–1206, 1216–1222, 1224
Special Committee of the National Security Council on East-West Trade, 1055, 1065–1066, 1069, 1077–1079, 1095*n*, 1100, 1191, 1199–1200, 1202–1203, 1207–1208, 1210–1216
Eaton, P. J., 733, 735
Economic Cooperation Act of *1948*, 267*n*, 285, 313, 425–427, 906, 1030, 1049, 1066–1067, 1118
Economic Cooperation Administration, 173, 266, 277, 279, 281–286, 290–295, 298–299, 302–303, 305, 307, 313–319, 321, 327–329, 332–335, 340–343, 349, 378*n*, 389, 396, 427–429, 441–442, 686, 706, 902–908, 911–912, 917, 930, 950, 954–957, 967*n*, 969*n*, 1004, 1009–1010, 1024–1025, 1033–1035, 1042–1045, 1049–1050, 1066, 1073, 1075, 1078, 1092, 1096, 1104–1105, 1110, 1116, 1118, 1121, 1124–1125, 1140, 1161*n*, 1169–1174, 1178, 1181–1182, 1191, 1199–1200, 1207, 1212–1213, 1216, 1220, 1225, 1227, 1269, 1272, 1276, 1278–1279, 1284, 1293, 1320, 1323–1324, 1326–1331, 1333, 1339–1340, 1342–1343, 1345–1346, 1350–1351, 1353, 1355, 1357–1358, 1426–1427, 1430, 1435, 1441, 1475, 1480–

Economic Cooperation Administration—Continued
1481, 1483–1485, 1489, 1491, 1495, 1500, 1510, 1584, 1592–1595, 1601, 1603–1605, 1610–1612, 1616–1618, 1641–1647, 1650–1657, 1670–1671, 1684
Ecuador, 386, 1019, 1102, 1207, 1209, 1233, 1437*n*, 1629
Eddleman, Lt. Gen. Clyde D., 875
Eden, Anthony, 558*n*, 570, 572, 577–581, 609
Edgar, John W., 1346
Egypt (*see also under* Armaments, etc.: Country positions): British policy, 79, 155, 206, 242, 659; Collective Measures Committee of the United Nations, member, 616*n*; cotton production, 220; International Monetary Fund quota, 1627–1629; land reform program, 1671; Suez Canal zone, dispute with the United Kingdom concerning, 69, 155, 242, 376, 402, 422; treaty of friendship, commerce, and navigation with the United States, negotiations concerning, 1233–1234; U.S. economic and technical assistance, 314, 1012, 1019, 1103, 1208–1209, 1643; U.S. policy, 946
Ehrenberg, Ilya, 572
Eisenhower, General of the Army Dwight D., 245, 272, 317, 344, 352–354, 363, 372, 429, 659, 694, 704, 808–809, 899, 914, 916, 959, 975*n*
Eldorado Mining and Refining Company, 795–797
Electronic equipment, 1038
Elk Hills Naval Reserve, 989, 992
Ellender, Allen J., 1466–1467
Elliot, Air Marshal Sir William, 749, 768, 826, 833, 865, 877, 880–883, 885–888, 890, 898
El Salvador, 1019, 1102, 1208–1209, 1437*n*, 1629
Elsey, George, 922, 1666*n*
Elsworthy, J., 1344
Eritrea, 1643
Estonia, 925, 1382*n*
Ethiopia, 314, 403, 407, 420, 1019, 1103, 1121, 1140, 1207, 1209, 1233–1234, 1239, 1630, 1643, 1652
European Coal and Steel Community (Schuman Plan), 202, 1261, 1500, 1502, 1557
European Defense Force, 202
European Payments Union, 328, 1078, 1105, 1478–1487, 1489–1498, 1500–1505, 1507–1508, 1510, 1516–1518, 1519*n*, 1614
European Recovery Program (Marshall Plan), 21, 31, 201, 267*n*, 270–272, 274, 284, 291, 332, 340, 353, 364, 717, 902*n*, 903, 906, 958, 1027, 1183, 1225, 1253, 1430–1431, 1441, 1502, 1578, 1614, 1625, 1638, 1641*n*
Evans, Barbara, 334–335
Evans, John W., 1229
Executive Group on Foreign Aid, 287, 296, 300–305, 308, 331
Executive Orders: *9832, Feb. 25, 1947*, 1565, 1577; *10004, Oct. 5, 1948*, 1565, 1568; *10082, Oct. 5, 1949*, 1522, 1532, 1565, 1568; *10159, Sept. 8, 1950*, 1641*n*
Export-Import Bank Act of *1945*, 1608–1609
Export-Import Bank of Washington, 265, 269, 299, 304, 329, 339, 347, 385, 1075, 1096, 1103*n*, 1207, 1495, 1573–1576, 1579–1583, 1592–1593, 1596–1598, 1600–1605, 1607–1612, 1615–1622, 1625

Falkland Islands, dispute between Argentina and the United Kingdom concerning, 1719, 1731, 1733
Far East (*see also* Asia): British policy, 826; petroleum resources, 981; Soviet threat, 429, 507; Soviet trade, 1041; U.S. economic and technical assistance, 270, 272–273, 294*n*, 316–317, 329, 349, 355, 360, 362, 379–384, 390, 395–396, 423, 425–427, 439, 1123, 1141; U.S. military assistance, 274–275, 296, 313, 317, 320, 326, 329; U.S. poilcy, 203, 235, 245, 379, 506, 580, 869, 871, 948
Farley, Hugh D., 1139
Faulkner, Rafford, 784
Feathers and down, 213, 219–220, 222
Fechteler, Adm. William M., 898–899
Federal Bureau of Investigation, 277, 929
Federal Property and Administrative Services Act of *1949*, 1610
Federal Reserve Bank, 1495
Federal Reserve Board, 1610
Federal Security Agency, 1643, 1656
Feller, Abraham H., 590
Fentress, Carroll D., 969
Ferguson, John H., 37–40, 44–48, 92*n*, 94*n*, 166, 261–262, 444–445, 449, 463, 465, 476, 496–497, 511–515, 523, 526, 528–529, 532, 556, 558–559, 562–563, 566–567, 569, 576, 592*n*, 874*n*, 898
Fermi, Enrico, 762
Fields, Col. Kenneth E., 755, 760–761
Fife, Vice Adm. James, 898
Finan, William F., 408, 912*n*
Fine, Paul, 720–721
Finland (*see also under* General Agreement on Tariffs and Trade: Country positions), 39, 839, 849, 868, 1242, 1630
Finletter, Thomas K., 472–476
Fisher, Adrian S., 453, 455, 588–589, 678*n*, 912*n*, 1583, 1692–1694
Fisher, Allan J., 1619, 1632
Fisher, Raymond G., 255
Flanders, Ralph E., 466–500, 573
Fleischmann, Manly, 258–259, 978

Flemming, Arthur S., 255
Flory, William E. S., 1313
Flota Gran Colombiana, 1233
Fluorspar, 214–215, 219–220, 223
Foley, E. H., 254, 259, 977–978, 1054–1055
Food and Agriculture Organization, 654, 1669, 1672–1674
Ford Motor Co., 1169–1170, 1174–1175, 1176*n*
Foreign Aid Steering Group, 264, 267, 270*n*, 286–287, 334
Foreign Assistance Act of *1948*, 1221
Foreign Economic Assistance Act of *1950*, 267*n*, 302*n*, 313–314, 316, 330, 426–427
Foreign economic policy of the United States (*see also* East-West trade; European Recovery Program; Foreign financial policy of the United States; General Agreement on Tariffs and Trade; Land reform in foreign areas; Point Four program; *and* Foreign economic assistance; Strategic materials *under* National security policy):
  Double tax conventions, 1225, 1233, 1240–1244
  Estate tax conventions, 1240–1244
  Organization of the Department of State for foreign economic policies, 1226–1230
  Treaties of friendship, commerce, and navigation, modernization, 279, 1225, 1233–1244
  U.S. defense effort, impact, 1225–1233
Foreign financial policy of the United States (*see also* Economic Cooperation Administration; European Recovery Program, Export-Import Bank of Washington; Foreign economic policy of the United States; National Advisory Council on International Monetary and Financial Problems; *and* Foreign economic assistance; Strategic materials *under* National security policy), 1226, 1573–1640
  Appreciation of currencies, 1583–1591
  Balance-of-payments problems, 1583–1588, 1590–1591, 1593–1594, 1614, 1638–1639
  Counterpart funds, 268–269, 346, 414, 425–426, 442, 906, 950, 1576, 1617–1618, 1624–1625
  Foreign lending policies, 1573–1576, 1579–1583, 1600–1612, 1615–1623, 1625
  Inflation problems, 1584–1586, 1589–1590
  International Monetary Fund resources, use, 1613–1614, 1626–1640
Foreign Petroleum Committee, 967, 969–970
Foreign Supplies and Requirements Committee, 321–325
Forrestal, James V., 29, 1731*n*, 1732*n*
Fosdick, Dorothy, 515*n*
Foster, William C., 58, 255, 259, 277, 287–288, 295, 298–300, 315, 321*n*, 334–335, 350, 437*n*, 769*n*, 777*n*, 784–785, 902, 908, 977, 1023, 1025, 1035*n*, 1054–1055, 1096, 1101–1102, 1121, 1140, 1176*n*, 1177, 1180, 1204, 1207, 1480*n*, 1594, 1599, 1602–1604, 1615, 1617, 1641*n*, 1652
Foulkes, Lt. Gen. Charles, 895
Four-Power Exploratory Talks at Paris, *March–June 1951*, 77, 87, 155, 445*n*, 468, 479, 483, 502–503, 511, 519, 575*n*
Fowler, Henry H., 255, 258
France (*see also France and French subheadings under individual countries and subjects*):
  Antarctica, French policy regarding, 1726
  Collective Measures Committee of the United Nations, member, 616*n*, 647, 684
  Gross national product, 365
  Inflation problem, 251
  International Monetary Fund quota, 1626, 1630
  Political situation, 154, 201, 945
  Rearmament program, 272
  Soviet Union, policy toward, 155
  Treaty of friendship, commerce, and navigation with the United States, negotiations concerning, 1234
  U.S. economic and military assistance, 271, 326–327, 369, 432, 436, 1102
  U.S. policy, 946
  Vegetable tannins, production, 221
Franco Bahamonde, Gen. Francisco, 778–781, 789, 793–794, 863
Franks, Sir Oliver, 513–515, 520, 523–524, 566, 657, 742–743, 748–750, 756, 764–765, 798–799, 802–808, 810, 826, 828–829, 833, 843, 864, 876, 880–893, 898, 1085–1086, 1182
Frederick, Maj. Gen. Robert T., 348
French African colonies, 1019
French North Africa, 205–206
French Union, 67, 273*n*, 399, 705
Frère, Maurice, 1628
Friedman, Irving S., 1489
Fuchs, Klaus E. J., 758, 882
Fulbright, James W., 1454

Gaitskell, Hugh, 1182–1185, 1192–1193, 1337
Gallman, Waldemar J., 750–752
Gardiner, Arthur Z., 1682–1684
Gardini, Walter, 1344
Garlock, Lyle S., 308*n*
Garrett, George A., 1237
Gaston, Herbert E., 1580–1583, 1589–1591, 1599, 1601–1604, 1615, 1617–1622, 1632–1633
General Agreement on Tariffs and Trade (GATT):
  Accessions, 1248*n*

General Agreement on Tariffs and Trade—Continued
Agricultural Adjustment Act of *1933* as amended, question regarding adoption by Congress of Section 22, 1424, 1453*n*, 1460, 1464–1478
Annecy Protocol, 1249
Balance-of-payments problems, 1253, 1330, 1421, 1480–1481, 1483, 1486–1487, 1493–1494, 1497–1498, 1504, 1507, 1509–1511, 1513, 1515–1516, 1519–1522, 1587
Belgian restrictions on imports from the dollar area, 1478–1522
Contracting Parties, Sessions:
Fourth, Geneva, *1950*, 1249*n*, 1261*n*, 1265*n*, 1319*n*, 1491
Fifth, Torquay, *1950*, 1263–1264, 1321*n*, 1525*n*, 1534–1538
Sixth, Torquay, *1951*, 1351, 1358, 1362, 1367, 1372, 1381, 1382*n*, 1386–1388, 1390–1394, 1399, 1404–1406, 1410–1411, 1414–1424, 1447, 1451–1456, 1459, 1478–1522, 1542, 1545
Seventh, *1952*, 1491, 1513
Special, Torquay, *1951*, 1319, 1326, 1357–1372
Country positions: Argentina, 1547; Australia, 1247, 1249, 1251–1252, 1255, 1264, 1274*n*, 1277–1278, 1282, 1284–1287, 1289–1291, 1294, 1296, 1302–1311, 1314, 1316*n*, 1317, 1370, 1372, 1399–1400, 1408, 1433, 1436*n*, 1447–1449, 1451, 1499, 1566*n*; Austria, 1246, 1249, 1257–1259, 1326, 1328, 1332–1334, 1340–1341, 1343–1344, 1346, 1372, 1566*n*; Belgium, 1246, 1249, 1321*n*, 1350, 1370, 1372, 1394, 1399–1400, 1407*n*, 1410, 1421, 1436*n*, 1478–1522, 1538, 1546*n*, 1548, 1551, 1553–1558, 1561, 1566*n*, 1572; Benelux countries, 1249, 1252–1253, 1256–1257, 1262, 1319–1334, 1339–1347, 1349–1353, 1356–1357, 1396, 1401, 1403–1404, 1479, 1546*n*, 1547, 1552; Brazil, 1246, 1249, 1253, 1370, 1372, 1407, 1436*n*, 1566*n*; Burma, 1251, 1400, 1408, 1421, 1566*n*; Canada, 1246, 1249, 1251–1252, 1255–1257, 1259, 1262, 1264–1265, 1275–1283, 1285–1287, 1289–1296, 1302–1305, 1309–1314, 1317, 1320, 1322–1323, 1326, 1328, 1332, 1334, 1336–1337, 1346, 1348, 1359, 1362–1363, 1365, 1367, 1370–1372, 1394, 1400–1402, 1407, 1433, 1436*n*, 1438–1440, 1444–1445, 1451–1452, 1455–1456, 1483, 1486–1487, 1489–1490, 1494, 1497–1499, 1506–1507, 1511, 1513, 1520*n*, 1566*n*; Chile, 1249, 1407, 1566*n*; China, Republic of, 1266, 1269*n*, 1566*n*; Commonwealth countries, 1253, 1255, 1260, 1265, 1274, 1276*n*, 1277–1283, 1285–1292, 1294–1295, 1299–1300, 1302, 1304–1307, 1310–1311, 1316–1318, 1336, 1338, 1344, 1364, 1367, 1398, 1400, 1402, 1409; Cuba, 1247, 1249, 1251–1252, 1256, 1258, 1266, 1268*n*, 1336, 1338, 1370, 1372, 1407, 1413, 1421, 1498, 1511, 1566*n*; Czechoslovakia, 1249, 1251, 1269*n*, 1381–1385, 1391, 1401, 1410, 1419–1422, 1436*n*, 1451, 1524, 1531, 1533–1538, 1541–1543, 1545, 1566*n*; Denmark, 1246, 1249, 1253, 1328, 1332–1335, 1340–1343, 1346–1347, 1350, 1352, 1364, 1370, 1372, 1399–1400, 1408, 1419, 1421, 1427, 1433, 1440–1442, 1451, 1566*n*; Dominican Republic, 1246, 1249, 1258, 1336, 1408, 1433, 1436*n*, 1566*n*; Finland, 1249, 1400, 1408, 1421, 1433, 1451, 1566*n*; France, 1246, 1249, 1252–1253, 1256–1257, 1260–1263, 1265, 1268–1273, 1320, 1326, 1328–1330, 1332–1334, 1336–1342, 1344, 1346–1347, 1350, 1352, 1357, 1359, 1362, 1365, 1370, 1372, 1388, 1391, 1394–1406, 1408–1413, 1420–1421, 1433, 1436*n*, 1437, 1445–1447, 1451, 1497, 1524, 1531, 1538–1539, 1543, 1547–1548, 1550–1551, 1561, 1566*n*; German Federal Republic, 1246, 1249, 1257–1259, 1262, 1326, 1328, 1332–1334, 1336, 1340, 1343–1344, 1346, 1356, 1372, 1408, 1566*n*; Greece, 1249, 1251, 1407, 1419, 1421, 1436*n*, 1566*n*; Haiti, 1249, 1407, 1436*n*, 1566*n*; India, 1247, 1249, 1251–1252, 1370, 1372, 1400, 1408–1409, 1419, 1421, 1566*n*; Indonesia, 1246, 1249, 1253, 1259, 1400, 1408, 1419, 1421, 1566*n*; Ireland, 1291; Israel, 1234; Italy, 1246, 1249, 1253, 1320, 1326, 1328–1329, 1331–1332, 1334–1336, 1339–1340, 1342, 1344–1347, 1350, 1352–1354, 1356, 1362, 1365, 1370, 1372, 1390, 1396–1397, 1399–1401, 1403–1404, 1408, 1413, 1421, 1426, 1431, 1433–1435, 1448–1449, 1451, 1456–1458, 1474–1475, 1477, 1524, 1531, 1539, 1543, 1545, 1547–1548, 1550–1551, 1556–1557, 1559, 1561, 1566*n*; Korea, Republic of, 1246, 1249, 1257, 1259; Lebanon, 1566*n*; Liberia, 1251, 1408, 1436*n*, 1566*n*; Luxembourg, 1246, 1249, 1321*n*, 1372, 1399–1400, 1406–1408, 1410, 1483, 1487, 1492, 1497*n*, 1503, 1505, 1546*n*, 1566*n*; Mexico, 1257, 1539; Netherlands, 1246, 1249, 1319, 1321*n*, 1330, 1348–1350, 1353, 1357, 1359, 1364, 1370, 1372, 1388*n*, 1393–1395, 1398–1400, 1402, 1408–1410, 1412, 1433, 1436*n*, 1437, 1443–1444, 1451, 1458–1459, 1479,

General Agreement on Tariffs and Trade—Continued
Country positions—Continued
1546*n*, 1548–1549, 1551–1552, 1554, 1566*n*; New Zealand, 1247, 1249, 1252, 1255, 1264*n*, 1282, 1284, 1287, 1290–1291, 1305, 1316–1317, 1399–1400, 1408, 1427–1428, 1433, 1436–1437, 1448, 1450–1451, 1566*n*; Nicaragua, 1407, 1414, 1436*n*, 1566*n*; Norway, 1246, 1249, 1253, 1326, 1328, 1332, 1334, 1340–1341, 1346–1347, 1352, 1372, 1387–1388, 1394, 1396, 1399–1401, 1407, 1433, 1451, 1566*n*; Pakistan, 1249, 1251, 1408–1409, 1436*n*, 1566*n*; Peru, 1246, 1249, 1257–1258, 1336, 1408, 1436*n*, 1566*n*; Philippines, 1246, 1249–1250, 1257, 1436*n*; Southern Rhodesia, 1249, 1251, 1286, 1290–1291, 1305, 1309, 1399, 1408–1409, 1566*n*; Sri Lanka, 1249, 1251, 1367, 1400, 1408–1409, 1419, 1436*n*, 1566*n*; Sweden, 1246, 1249, 1253, 1326, 1328, 1332–1334, 1340, 1346, 1358, 1371–1372, 1399–1400, 1408, 1419, 1421, 1451, 1566*n*; Syria, 1566*n*; Turkey, 1246, 1249, 1257–1259, 1436*n*, 1566*n*; Union of South Africa, 1247, 1249, 1252, 1255, 1264*n*, 1265, 1282–1283, 1287, 1291, 1305, 1310*n*, 1317, 1367, 1371–1372, 1399, 1408–1409, 1436*n*, 1498, 1566*n*; United Kingdom, 1247, 1249, 1251–1255, 1261*n*, 1262–1267, 1268*n*, 1274–1275, 1277–1279, 1281–1282, 1284–1292, 1294–1302, 1306–1307, 1309, 1311–1312, 1314–1320, 1326, 1328–1330, 1332, 1335–1348, 1350, 1352–1353, 1357–1359, 1361–1364, 1366–1370, 1372, 1374, 1396–1404, 1406, 1408–1410, 1413, 1420–1421, 1436*n*, 1437, 1451, 1497–1499, 1511, 1524, 1526, 1531, 1538, 1541, 1543, 1566*n*; United States, 1197, 1225–1226, 1236, 1246–1262, 1263*n*, 1266–1267, 1270–1272, 1275–1288, 1290–1316, 1322–1329, 1332–1334, 1336–1337, 1339–1343, 1345–1346, 1350–1354, 1357–1365, 1368–1373, 1385–1387, 1392–1395, 1399–1401, 1404–1409, 1411–1419, 1448–1449, 1451–1456, 1459–1463, 1478, 1480, 1482–1485, 1488–1491, 1493–1572; Uruguay, 1249, 1433, 1436*n*
Czechoslovakia, termination of obligations with the United States, 1380–1424, 1445, 1497
Defense Production Act Amendments of *1951*, representations to the United States regarding Section *104*, 1424–1460, 1509
Dollar shortage problem, 1254
Escape clauses, 1246, 1376, 1379–1380, 1401, 1453*n*, 1457, 1459–1460, 1472, 1522–1572

General Agreement on Tariffs and Trade—Continued
European tariff integration, proposed, 1319–1324, 1328–1341, 1347, 1352–1372
Intersessional Working Party, establishment, 1372
Organization for European Economic Cooperation countries, proposed multilateral tariff negotiations, 1319–1358, 1361–1362
Quantitative import restrictions, 1253, 1298, 1301, 1319*n*, 1322–1323, 1330, 1346–1347, 1431, 1438, 1440–1441, 1461, 1463, 1480, 1483, 1494–1495, 1497–1498, 1500, 1504, 1510
Tariff negotiations of Contracting Parties:
Geneva, *1947*, 1247, 1248*n*, 1249, 1251–1252, 1259–1261, 1266*n*, 1269*n*, 1282, 1321, 1330, 1355, 1359, 1361, 1366, 1369, 1372, 1440, 1448, 1458, 1523*n*, 1531, 1535–1537, 1539, 1547, 1561, 1566
Annecy, *1948*, 1247, 1248*n*, 1249, 1251, 1259, 1260*n*, 1261*n*, 1266*n*, 1269*n*, 1321, 1355, 1359, 1361, 1366, 1369, 1372, 1458, 1566
Torquay, *1950*, 1245–1320, 1327, 1366, 1369, 1372, 1440, 1458, 1468, 1524–1527, 1530–1531, 1550, 1566
Accessions, 1249, 1257–1259
Article XXVIII negotiations, 1245, 1249*n*, 1250–1252, 1256, 1260–1265, 1266*n*, 1268–1270, 1282–1283, 1538–1540
Commonwealth preferences, 1245, 1253–1255, 1260, 1263–1266, 1277–1278, 1281–1286, 1288–1295, 1299–1300, 1302–1309, 1311, 1314–1320, 1324, 1326
Protocol, *Apr. 21, 1951*, 1245–1247, 1259–1260, 1325, 1358
U.S. "escape clause" actions under Article XIX, 1522–1545, 1550–1551, 1570–1572
U.S. "escape clause" actions under Section 7 of the Trade Agreements Extension Act of *1951*, 1522, 1544, 1546–1572
General Electric Company, 790, 792–793
General Motors Corp., 1169–1171, 1174–1175, 1176*n*
General Services Administration, 969*n*, 1610–1612, 1617
Geneva Conference on Disarmament, *1932*, 450, 452, 507
George, James, 829
George, J. M., 1128*n*, 1129*n*, 1131, 1134*n*, 1157*n*
George, Walter F., 316, 1122, 1469, 1562*n*
Gerard, O. M., 1553

German question, 1, 469–470, 483, 485, 499–500, 515, 1028
Germany: Elections, proposed, 572; Soviet proposal for four-power meeting, 5; unification question, 447, 457, 459, 464, 500, 516
Germany, Democratic Republic of, 65, 86, 149, 194, 720, 817, 839, 945, 947, 1027, 1035–1036, 1040–1041, 1044, 1046*n*, 1382*n*
Germany, Federal Republic of (*see also Germany and German subheadings under* Armaments, etc.; East-West trade; General Agreement on Tariffs and Trade; North Atlantic Treaty Organization):
Antarctica, interest in, 1727
Atomic energy, control over, 720–721
Gross national product, 365
Guerrilla warfare experience, 84
International Monetary Fund quota, 1627, 1630
Political situation, 154
Rearmament, proposed, 4–5, 76–77, 107*n*, 108, 113, 121–122, 126, 130, 149, 152–153, 167, 190, 196–198, 233, 240, 243, 349, 413, 447, 459, 847
Soviet policy, 4–6, 24, 76, 107*n*, 113, 121–122, 124–126, 130, 149, 152–153, 190–191, 196–198, 240
Strategic importance, 36, 46, 856, 980*n*
U.S. economic and military assistance, 296, 317, 326, 336, 353, 364–365, 366*n*, 412, 414, 418, 1102, 1179
U.S. occupation forces, 867
U. S. policy, 99–100, 243, 868, 921, 924, 943–946
Gibraltar, 45
Gidel, M., 1687, 1699
Gifford, Walter S., 558–559, 565–566, 568–569, 579, 582, 703*n*, 803, 1071–1073, 1142–1144, 1146–1149, 1151–1153, 1163–1164, 1182, 1254, 1287–1288, 1295–1296, 1306, 1315–1316, 1329–1330, 1333–1335, 1365
Gladney, Capt. D. W., 634*n*, 1701
Gleason, S. Everett, 33, 40*n*, 182–183, 192, 244, 865, 1000*n*, 1018*n*, 1179
Glendinning, C. Dillon, 1179, 1580, 1589, 1592–1593, 1599–1600, 1613, 1615–1616, 1619–1620, 1626
Glennan, T. Keith, 758–759, 766
Gold Coast, 221
Goldwasser, Betti C., 1275*n*, 1278
Gordon, Lincoln, 93, 308*n*, 441, 1521
Gorrie, Jack O., 254, 260
Gottwald, Klement, 1384
Graham, Frank, 1658
Graphite, 215, 219–220, 222–223, 1038, 1094
Gray, Cecil W., 778
Gray, Gordon, 59*n*, 302, 601, 1530, 1573, 1581, 1606
Grazzi, Umberto, 1331, 1397, 1403, 1413
Greece (*see also Greece and Greek subheadings under* Armaments, etc.; General Agreement on Tariffs and Trade; North Atlantic Treaty Organization):
Guerrilla warfare experience, 84
International Monetary Fund quota, 1630
Soviet policy, 124–125, 839–840
Strategic importance, 20, 46–47, 155, 205, 980*n*
Trade with the Soviet bloc, 1019
Treaty of friendship, commerce, and navigation with the United States, negotiations concerning, 1233–1234, 1239
U.S. economic and military assistance, 274–275, 308, 313–314, 317–320, 326, 329–330, 336, 364, 375, 377–378, 390, 411, 419–420, 422–423, 425, 941, 1102, 1207, 1209
U.S. policy, 21*n*, 22*n*, 28, 818, 868, 870, 946
Yugoslav policy, 374
Green, Caspar, 1719
Greenland, 1722, 1725
Griffin, R. Allen, 269
Griffis, Stanton, 778, 781, 789, 793–794
Gross, Ernest A., 574, 603–604, 608, 611, 628–629, 644–647, 1168
Gruenther, Lt. Gen. Alfred M., 348
Guatemala, 157, 207, 349, 946, 1019, 1102, 1188, 1205, 1208–1209, 1437*n*, 1630
Guillaume, 801
Gulick, James W., 1692, 1694
Gutt, Camille, 1613–1614, 1626

Haile Selassie, Emperor of Ethiopia, 1234
Haiti (*see also under* General Agreement on Tariffs and Trade: Country positions), 220, 386, 525, 1019, 1102, 1121, 1140, 1207, 1209
Halaby, Najeeb E., 437*n*
Hall, Carlos C., 1720–1721
Hall, John A., 690*n*, 695*n*, 699, 713, 720, 733, 736–739, 750–752, 763, 784, 790*n*
Hall-Patch, Sir Edmund L., 1337
Hamilton, J. Bruce, 720–721, 750–752
Handy, Gen. Thomas T., 688, 740, 742
Hansen, Kenneth, 1166–1168
Harber, W. Elmer, 57–58
Hare, Raymond A., 1685*n*
Harford, E., 699, 713, 733
Harmon, Maj. Gen. R. C., 1692
Harriman, W. Averell, 42*n*, 240, 245, 264*n*, 266, 288, 294–295, 300, 307, 308*n*, 312, 321*n*, 334, 348, 427–428, 437, 440–442, 969*n*, 1011, 1025–1026, 1069, 1116, 1124, 1179, 1182, 1197–1202, 1211–1222, 1519, 1520*n*, 1521, 1599, 1603
Harrison, Maj. Gen. William H., 52
Harvey, Mose L., 976–977
Harvey, Sir Oliver Charles, 579
Hasenoehrl, Victor F., 1619
Havelka, Vilem, 1391

Havlik, Hubert F., 1327
Hawaii, 1702
Hay, J., 720
Hebbard, William L., 437*n*
Heeney, A. D. P., 809–810, 829–832
Henderson, Loy W., 712
Heneman, H. T., 313–315, 408, 917, 1641*n*, 1644, 1650–1651, 1657*n*, 1659–1661, 1663*n*
Henry, Maj. Gen. Guy V., 895
Herter, Christian A., 469, 1109
Hickerson, John D., 466–468, 497–498, 517–531, 533–534, 542–545, 548, 549*n*, 556–557, 562–564, 574–576, 581, 588, 591, 592*n*, 594, 598–599, 639–642, 654–655, 658–661, 665–666, 678, 681–682, 1647, 1671*n*, 1672
Hight, John H., 1363, 1365, 1487
Hill, Dumond P., 755
Hilliker, Grant G., 1715, 1717–1719
Hinman, Carroll, 1201–1202, 1214*n*
Hitchcock, Dal, 255
Hitchings, George P., 255
Hitler, Adolf, 107
Ho Chi Minh, 67
Hoffman, Paul G., 339–341, 348
Hohler, Harry, 522–532, 542
Hollis, Everett, 784
Hollis, Walter, 1365, 1467–1469
Holmes, Horace, 348, 1643
Holmes, Julius C., 558, 566, 568–569, 582, 1153, 1398–1399, 1402–1403, 1409
Holmes, Sir Stephen, 1265, 1267*n*, 1284, 1288, 1306, 1318, 1329, 1332, 1334, 1338, 1353, 1362, 1365, 1530
Honduras, 1019, 1102, 1121, 1140, 1208–1209, 1437*n*, 1630
Hong Kong, 19, 123, 869, 980*n*, 1030, 1065, 1076
Hooker, John S., 1599, 1613, 1615, 1632
Hoover, Herbert, 906, 913
Hoover, John, 1237
Hope, Clifford R., 1673
Hopkins, William J., 551
Hopper, W. C., 1438
Hotz, Jean, 1138–1139, 1160
Howard, John, 280–283, 968
Howe, Fisher, 1106
Hoy, Col. C. E., 235
Hoyer-Millar, Sir Derick, 768, 996–998, 1007
Huggins, K., 1344
Hughes, Charles Evans, 1723
Hughes, Emrys, 692
Hull, Cordell, 963
Hulley, Benjamin M., 1715–1717, 1726, 1728*n*
Hulten, Charles M., 912, 917–918, 939, 959
Humelsine, Carlisle, 313, 902, 904, 907*n*, 917–918, 934*n*, 1641*n*, 1649, 1652*n*, 1662
Hungary, 77, 459, 925, 945, 947, 1027, 1035, 1037, 1040–1041, 1046*n*, 1382
Hunt, Frederick D., 1365
Hyde, James N., 621–624
Hyoscine, 215, 219–220, 223
Iceland (*see also* Icelandic position *under* Territorial sea), 946, 1102, 1105, 1121, 1140, 1208–1209, 1630, 1722–1723, 1725
Ignatieff, George, 92, 626, 764, 767, 809, 811, 813, 827, 829, 841, 845, 855, 858–860, 862–864
India (*see also* Kashmir dispute; *and India and Indian subheadings under* Armaments, etc.; Atomic energy, foreign policy aspects, etc.; Collective Measures Committee of the United Nations; General Agreement on Tariffs and Trade; Korean conflict):
  Foreign policy, 206, 401
  International Monetary Fund quota, 1626, 1630
  Land reform program, 1668, 1676
  Soviet policy, 47, 86, 149–150
  Strategic materials, production, 220–221
  Treaty of friendship, commerce, and navigation with the United States, negotiations concerning, 1235
  United Nations, policy toward, 655
  U.S. economic aid and famine relief, 271, 275, 291, 349, 355, 357, 379–380, 409–410, 442, 694, 712, 946, 952, 1043, 1081, 1103, 1208–1209, 1217, 1593, 1598, 1603, 1641–1643, 1652
  U.S. military assistance, question of, 274–275
  U.S. policy, 99, 869, 946
India Emergency Food Air Act of *1951*, 946*n*
Indochina:
  Chinese People's Republic's policy, 6, 19, 67, 78, 86, 123, 156–157, 197, 204–205, 295, 422, 460, 850
  French policy and position, 67–68, 245–246, 381, 399
  Guerrilla warfare activities, 85
  Military situation, 78, 86–87, 122, 156–157, 381, 393, 457, 571, 945, 980*n*
  Soviet policy, 5–6, 11, 379
  U.S. economic and military assistance, 141, 239, 241–243, 273, 317–319, 326, 355–357, 379–382, 395, 398–399, 404, 411, 419–421, 423, 429, 435, 869, 1103, 1207, 1209, 1594, 1652
  U.S. policy, 2, 28, 245–246, 429, 571*n*, 580, 850, 946
  Vietminh activities, 6, 19, 67, 86–87, 319, 379–380, 399, 460
Indonesia (*see also under* General Agreement on Tariffs and Trade: Country positions):
  Communist movement, 68, 945
  Defense, 980*n*
  Land reform program, 1671
  Petroleum resources, 972, 983
  Political situation, 381
  Rubber production, 221
  Soviet policy, 152

Indonesia—Continued
Strategic importance, 47
Strategic materials, production, 220–221, 420
United Nations, policy toward, 655
U.S. economic and military assistance, 273, 326, 382, 395, 400, 405, 423, 1043, 1081, 1103, 1118, 1208–1209, 1594, 1652
U.S. policy, 308, 946
Institute of Inter-American Affairs, 284, 302, 314, 1225, 1642, 1647, 1650–1653, 1659–1664
Intelligence Advisory Committee. *See under* National security policy.
Inter-Agency Committee on Land Reform Problems, 1666–1668, 1670–1671, 1682, 1683*n*
Inter-American Defense Board, 385, 1731*n*, 1732–1733
Inter-American Highway, 384–385
Interdepartmental Committee on Internal Security. *See under* National security policy.
Interdepartmental Committee on Trade Agreements, 1245, 1247–1259, 1267*n*, 1269, 1270*n*, 1271, 1273*n*, 1274*n*, 1275–1278, 1280–1281, 1289, 1291–1295, 1297, 1310–1314, 1316*n*, 1319–1320, 1324, 1326–1328, 1351, 1382, 1385, 1392*n*, 1453, 1542, 1563, 1567
Interim Commission of the International Trade Organization, 1447
Interior, U.S. Department of, 969, 971, 977, 990*n*, 992, 1003, 1034, 1276, 1278–1279, 1293, 1313, 1343, 1611, 1656, 1670
International Bank for Reconstruction and Development, 304, 322, 339, 347, 385, 1506*n*, 1573*n*, 1577, 1579–1580, 1592, 1596–1603, 1605–1607, 1615–1616, 1620–1623, 1625
International Chamber of Commerce, 1655
International Court of Justice, 1686–1687, 1690–1691, 1694–1696, 1702–1703, 1711, 1713, 1720
International Development Act of *1950*, 1641*n*, 1642–1644, 1653, 1656, 1659*n*
International Development Advisory Board, 278–279, 1606, 1655–1656
International information program of the United States, 902–965
Advisory Commissions: Educational Exchange, 959; Information, 959
Chinese Student Aid Program, 924–925, 927, 946, 952
Economic Cooperation Administration role, 902–908, 911–912
Finnish Exchange Program, 924, 946, 952
Foreign Information Administration, proposed establishment, 917–918, 934–941
Fulbright Exchange Program, 924, 946, 952
Hoover Commission recommendations, 908–909
International information program of the United States—Continued
India Grain Program, 946, 952
International Information and Educational Exchange Program (USIE), 902–907, 909–932, 942–965
Iranian Student Aid Program, 924, 946, 952
Public Affairs Programs for: Austria, 924–928, 946–947, 949, 952; Germany, 924–929, 946–947, 950, 952; Japan, 946–947, 949–951
Voice of America, 909, 916*n*, 919, 921*n*, 924–927, 929–931, 933
International Law Commission, 1705, 1707, 1710, 1712–1714
International Materials Conference, 1089, 1094, 1133, 1189, 1230–1231
International Monetary Fund, 1483–1484, 1486–1490, 1492–1494, 1497, 1499–1501, 1506, 1510–1511, 1513–1518, 1520–1522, 1573*n*, 1584, 1586–1591, 1613–1614, 1626–1640
International Security Affairs Committee. *See under* National security policy.
Iran:
Anglo-Iranian Oil Company, dispute concerning, 37, 155–156, 205–206, 242, 349, 377, 401–402, 422, 858, 983
British policy, 79, 125, 206, 659, 983
International Monetary Fund quota, 1630
Korean conflict, position regarding, 6
Land reform program, 1671
Opium production, 221
Petroleum resources, proposed nationalization, 79, 242, 983
Political situation, 79, 122, 131, 140, 156, 205–206, 360, 401, 857–858, 864, 945
Silk production, 221
Soviet policy, 5–7, 39, 46–47, 68–69, 79, 87, 113, 125, 130, 152–153, 190, 197, 205–206, 401, 422, 840, 857–858
Trade with the Soviet bloc, 1019
U.S. economic and military assistance, 274–275, 313, 326, 330, 375–377, 402, 406, 419–421, 423, 426, 441, 1039, 1081, 1103, 1121, 1140, 1208–1209, 1643, 1652, 1655, 1657
U.S. policy, 22*n*, 28, 37, 176, 242, 376, 818–819, 868, 946
Iraq (*see also under* Armaments, etc.: Country positions): British airbases, 69; British policy, 79, 983; International Monetary Fund quota, 1630; Iraq Petroleum Company, dispute concerning, 402; nationalist movement, 155; Soviet policy, 69; U.S. economic assistance, 1103, 1208–1209, 1643; U.S. policy, 946

Iraq Petroleum Company, 402
Ireland, 584, 1102, 1105, 1121, 1140, 1208–1209, 1237, 1291
Iridium, 220
Iron ore, 1038
Isbister, Claude M., 1444–1445, 1486, 1489
Israel (*see also under* General Agreement on Tariffs and Trade: Country positions): Arab states, truce with, 69, 140, 155, 205–206, 402; British policy, 975; estate tax treaty with the United States, draft, 1242; situation in, 360; strategic importance, 47; trade with the Soviet bloc, 1019; treaty of friendship, commerce, and navigation with the United States, negotiations concerning, 1233–1234, 1239; U.S. economic and military assistance, 274–275, 314, 349, 376–378, 402–403, 406–407, 420–421, 423, 426, 1081, 1103, 1121, 1140, 1208–1209, 1643, 1652, 1657; U.S. policy, 206, 375–376, 946, 971*n*, 974*n*, 983*n*
Italian African colonies, former, 1019
Italy (*see also* Country positions *under* East-West trade; General Agreement on Tariffs and Trade): Armaments, regulation, proposed Italian participation, 584; estate and income tax conventions with the United States, draft, 1242; gross national product, 365; inflation problem, 251; International Monetary Fund quota, 1626, 1630; land reform program, 1670–1671; political situation, 154, 201, 945; strategic materials, production, 221; treaty of friendship, commerce, and navigation with the United States, negotiations concerning, 1238–1239; U.S. economic and military assistance, 271, 326–327, 1102; U.S. policy, 22*n*, 946; Yugoslav policy, 374

Jackson, Henry M., 1*n*
Jacobus, Gilbert C., 1180
Jacques, Sidney B., 1128, 1131–1132
James, Milton, 1692
Janson, M. G., 1485, 1487, 1489–1490
Japan: Armaments, regulation, proposed participation, 584; British policy, 826; guerrilla warfare experience, 84; International Monetary Fund quota, 1626–1627, 1630; invasion threat, 12; land reform program, 1668–1669, 1671, 1681–1682; military production potential, 396; pyrethrum production, 221; rearmament, proposed, 107*n*, 109, 113, 121–122, 126, 130, 149, 152–153, 157, 190, 196–198, 237, 240, 243, 272, 447, 460, 847; security treaty with the United States, 395–396, 422, 860; silk production, 221; Soviet policy, 4, 18, 67, 76, 107*n*, 113, 121–122, 125–126, 130, 149, 152–153, 186, 190–191, 196–198, 240, 819;
Japan—Continued
strategic importance, 36, 46, 204, 856; U.S. economic and military assistance, 273, 380, 382, 384, 395, 397, 404, 419, 421, 1059, 1076, 1099, 1103, 1206, 1208–1209; U.S. occupation forces, 379; U.S. policy, 2, 9, 18, 78, 99, 157, 242–243, 499, 819, 867, 878, 889, 924, 944, 946
Japanese Peace Conference, San Francisco, 513, 515, 575*n*, 1402*n*, 1436*n*, 1682*n*
Japanese Peace Treaty, *Sept. 4, 1951*, 2, 78, 118, 131, 157, 381, 395, 422, 457, 460, 500, 513, 515*n*, 516, 860–861, 947, 1402*n*, 1436*n*, 1727*n*
Jarman, Peter, 1307
Javits, Jacob K., 710, 1637
Jebb, Sir Gladwyn, 532, 579
Jessup, Philip C., 33, 36, 94*n*, 469, 515, 548, 556–557, 570, 572, 574–579, 587–588, 590–595, 598–599, 601–603, 605–611, 678*n*, 679, 681, 802–808, 880–883, 886, 912*n*, 966*n*, 1026*n*, 1182, 1690
Jewel bearings, 215, 220
Johnson, Herschel V., 696–699, 783–784, 790–793
Johnson, Jesse, 750–751, 800
Johnson, Louis A., 180, 767, 786
Johnson, Lyall, 720
Johnson, U. Alexis, 118–119, 898
Johnston, Eric, 254, 260
Johnston, William D., 784
Joint Atomic Energy Intelligence Committee, 486–488
Joint Chiefs of Staff:
Anglo-American discussions regarding strategic plans, 804, 806–807, 874–880
Antarctica, U.S. interests in, 1731–1733
Arctic, U.S. interests in, 1725
Armaments, regulation, proposals, 449, 459, 463–465, 469, 472, 476*n*, 478–483, 496–497, 549–551, 573
Atomic energy, foreign policy aspects of U.S. development, 689, 691, 740, 742, 749, 759, 769–770, 785–786
Atomic weapons, possible use, 815, 823–825, 835, 843, 865, 876, 895*n*, 898
Collective Measures Committee of the United Nations, 637–638, 661–665
Mobilization plans and program, 13, 210–211
National security objectives and programs, 28–31, 33–37, 60–82, 88, 94*n*, 104–106, 110, 117, 173, 226, 234–235, 240–244, 307, 362–363, 368, 370, 417, 430–431, 433–437, 919–920
Petroleum, U.S. policies regarding, 974–976, 978*n*
Trade with the Soviet bloc, U.S. policy regarding, 1011, 1052–1053, 1064*n*, 1180

Joliot-Curie, Frédéric, 704, 799
Jones, Lewis, 577, 579
Jordan, 393, 946, 1103, 1207–1209, 1643, 1676
Joyce, Robert J., 42–44, 109*n*, 169–170, 923
Juin, General of the Armies Alphonse Pierre, 799–801
Justice, U.S. Department of, 752, 971, 977, 990*n*, 992

Kashmir dispute between India and Pakistan, 68, 156, 206, 242, 275, 401, 422, 525, 572, 647, 861–862
Katz, Milton, 348, 1337
Katzin, Alfred G., 627
Kaufmann, J., 1393, 1443–1444
Kee, John, 316*n*
Keller, K. T., 103–104
Kellogg, Frank, 963
Kem amendment. *See under* Congress, U.S.
Kem, James P., 349, 1073, 1122, 1126, 1167, 1180
Kennan, George F., 107, 922*n*
Kennedy, Cmdr., 1696
Kenya, 220
Kersten, Charles J. K., 710–711
Keyserling, Leon H., 230–232, 237, 239, 245–254
Kibler, Maj. Gen. A. Franklin, 348
Kieffer, William, 733
Kimball, Arthur A., 907–908, 911, 917–918
King, Nat B., 1056–1058, 1070–1071, 1104, 1109, 1115, 1128–1129, 1131–1132, 1134, 1138–1139, 1142, 1150–1151
Kirk, Alan G., 170*n*, 572, 607
Kirlin, Florence K., 1058, 1202*n*
Knight, Ridgway B., 579
Koch, Henry, 166–169
Koepfli, J. B., 720
Korea, Democratic People's Republic of, 945, 993*n*, 1001–1002, 1004–1005, 1030, 1035, 1040, 1046*n*, 1048*n*, 1051, 1053, 1059, 1087, 1089, 1186
Korea, Republic of (*see also under* General Agreement on Tariffs and Trade: Country positions): Defense, 980*n*; land reform program, 1668–1669, 1671, 1681; silk production, 221; tungsten production, 221; U.N. economic reconstruction program, 273, 284–285, 291, 313; U.S. economic and military assistance, 157, 326, 382, 384, 395, 397–398, 419, 421–422, 426, 1103, 1121, 1140, 1207, 1209
Korean conflict:
  Aggression against Republic of Korea, *1950*, 2, 26, 28, 38, 65, 155, 233, 246, 248–249, 272, 297, 365, 457, 495, 518–519, 616, 669, 672, 1002, 1004, 1027, 1099, 1225
  Armistice negotiations, 101, 103–104, 107*n*, 108, 118, 130, 147, 155, 157, 241, 259, 337, 349, 460, 516, 549,
Korean conflict—Continued
  Armistice negotiations—Continued 572, 855–857, 861, 869, 912, 1189
  Atomic weapons, possible use, 814*n*
  Chinese People's Republic, intervention, 11, 18, 23, 38, 66–68, 72, 78, 86–87, 151–152, 178, 204, 241, 447, 619, 816, 819, 827, 837, 869, 912–914, 1001–1002, 1031, 1046, 1048, 1062
  Country positions: American Republics, 70–71, 207; India, 156; Iran, 6; Soviet Union, 4–6, 11, 23, 38, 72, 76, 107–108, 125–126, 129–130, 152–153, 165, 171, 178, 190, 198, 572, 583, 819, 826, 849, 855–857, 861, 964, 1002; Turkey, 274; Union of South Africa, 634; United States, 9, 21*n*, 22–23, 38, 63, 81, 239, 379, 434, 580, 819, 878, 976
  Military Armistice Conference, 101
  Military situation, 2, 21, 67, 78, 113–114, 235, 270, 381, 413, 571
  U.N. troops, 9, 17, 67, 241, 627, 638, 644, 647, 662, 857, 861, 867
Kotschnig, Walter M., 1647–1648
Kreager, H. Duwayne, 254–260
Kreps, Col. K. R., 548–549, 974–976
Krieg, William L., 968
Kristiansen, Erling, 1161–1162
Kuwait, 975–976
Kyanite, 215, 219–220, 223, 1094

Labor, U.S. Department of, 969*n*, 1276, 1278–1279, 1293, 1320, 1324, 1327, 1343, 1345, 1670
Labouisse, Henry R., 1009, 1045, 1053–1054, 1196, 1685*n*
Lacoste, Francis, 579, 605, 621, 623–625, 628–629, 645–647, 652–653
Lacy, William S. B., 898
Ladue, Col. Laurence K., 33
Lalor, Rear Adm. William G., 33, 463, 464*n*, 465, 476*n*, 865, 875, 898
Land reform in foreign areas, U.S. policy regarding, 1666–1684
Landon, Maj. Gen. Truman H., 33
Langguth, Lt. Col. Paul O., 775
Laos (*see also* Indochina), 1207
Larre, René, 1339, 1344, 1347
Laskey, Denis, 630–631, 645–648, 651–652
Latvia, 925, 1382
Lawson, George W., 1593
Lawton, Frederick J., 102, 237, 281–282, 283*n*, 287–290, 300, 305–306, 1023, 1025, 1035, 1054, 1069, 1201–1202
Lay, James S., Jr., 33, 50–51, 60–61, 82, 88–89, 91, 92*n*, 93, 101–102, 106*n*, 127–129, 148*n*, 157–158, 182*n*, 229–230, 234–235, 237–240, 244, 418, 463, 477–478, 666, 721–722, 746–747, 757, 761, 787, 794, 898, 919*n*, 966*n*, 970*n*, 972*n*, 974, 977–979, 983*n*, 1019*n*, 1023–1024, 1035, 1045*n*, 1055, 1059*n*, 1064*n*, 1066, 1069, 1077*n*, 1086,

Lay, James S., Jr.—Continued 1095*n*, 1103*n*, 1186, 1196*n*, 1203*n*, 1214, 1216*n*
Lead, 214, 220
League of Nations, 552–553, 556*n*, 624, 627, 1104, 1705
Lebanon, 612, 946, 1019, 1103, 1208–1209, 1235, 1566*n*, 1630, 1643, 1676
LeBaron, Robert, 480, 690, 695*n*, 749–750, 755, 758–760, 762–763, 766–768, 769*n*, 786
Leckie, John, 1306, 1353, 1398*n*, 1402–1403, 1409, 1530
Lecuyer, Ernest, 1262, 1333, 1388, 1538–1539
Leddy, John M., 968, 1049*n*, 1073*n*, 1075*n*, 1079*n*, 1104*n*, 1107*n*, 1109*n*, 1121–1122, 1134*n*, 1145*n*, 1154*n*, 1216–1220, 1230, 1236–1238, 1297, 1385, 1388*n*, 1389–1390, 1410*n*, 1422–1423, 1438–1439, 1444, 1451*n*, 1454, 1456, 1481*n*, 1487, 1489–1490, 1538–1540, 1542*n*
Ledrus, René, 701
Le Ghait, Edouard, 1548, 1553, 1556
Le Pan, Douglas, 845
Lewis, Fulton, 848
Lewis, Geoffrey, 720–721
Lewis, James H., 1266*n*, 1274, 1288, 1306
Liberia (*see also under* General Agreement on Tariffs and Trade: Country positions), 221, 314, 403, 407, 1019, 1103, 1121, 1140, 1207, 1209, 1643, 1652, 1661
Library of Congress, 1091
Libya, 206, 314, 376, 403, 407, 1103, 1208–1209, 1643, 1652
Lie, Trygve, 642*n*, 644
Lilienthal, David, 768
Lincoln, Col. George A., 286, 296, 308*n*, 316–317
Linder, Harold F., 255, 259–260, 439, 967*n*, 1065–1069, 1084–1086, 1107–1108, 1117, 1121–1126, 1128, 1130, 1134, 1136–1139, 1141–1149, 1151–1166, 1168, 1174–1176, 1179–1182, 1185, 1192, 1195, 1198*n*, 1202*n*, 1203, 1210–1216, 1218–1219, 1402*n*, 1406, 1436–1439, 1442–1444
Linville, Francis A., 1229
Lipsky, Louis, 348
Lithuania, 925, 1382*n*
Livermore, Shaw, 969
Livesey, Frederick, 1240–1244
Lloyd, David, 922
Lloyd, Selwyn, 577–579, 594–597, 598*n*, 603–605, 609–612
Locker, Melville E., 1632
Lodge, Henry Cabot, 340–343
London Naval Conference, *1930*, 450
Longair, A. K., 713, 763
Longhi, Alberto Rossi, 1007
Lonsdale, Kathleen, 752, 754–755
Loper, Brig. Gen. Herbert B., 480, 755, 761
Lopez, Salvador P., 623
Lovett, Robert A., 103, 110, 116, 236, 238–240, 243–244, 257, 281, 295, 300, 336, 430–431, 433, 435, 548–549, 551, 558, 749, 755–763, 765–767, 768*n*, 769, 776–777, 782, 787–788, 805–806, 854, 875–880, 894–897, 900, 966*n*, 971, 974–976, 978*n*, 979, 1177–1180, 1182, 1732*n*
Lubin, Isador, 1681
Luedecke, Brig. Gen. Alvin R., 480
Luns, J. M. A. H., 552
Luxembourg (*see also* Country positions *under* East-West trade; General Agreement on Tariffs and Trade), 326–327, 1102, 1630
Lynch, Thomas J., 1599, 1632
Lyons, Daniel M., 1128, 1139, 1442–1444

Macao, 123, 869, 1030, 1166
MacArthur, General of the Army Douglas, 23, 89, 331, 922
MacArthur, Douglas, III, 647*n*
MacFarland, W. A., 713
Macgowan, Harold P., 1344
MacKay, R. A., 829
Mackenzie King, W. L., 473*n*
MacLean, Donald D., 752–754, 758, 787
MacLean, Gen. Sir Kenneth, 880, 1182
MacPherson, Marian, 654
Madagascar, 220–221
Maddocks, Maj. Gen. Ray T., 33, 465
Maddox, William P., 775*n*
Magnesium, 214, 219, 223, 1094
Magnuson, Warren G., 1425, 1464–1465, 1467, 1469–1470
Makin, Norman J. O., 1303–1304, 1307
Makins, Sir Roger, 1148–1149, 1153, 1318–1319
Maktos, John, 603–604
Malaya, 68, 84, 156, 205, 221, 273, 395, 401, 717, 946, 980*n*, 1103
Malenbaum, Wilfred, 1619
Malik, Jacob A., 108, 755
Malta, 45
Manganese ore, 214–215, 218–219, 221, 223, 792, 1077, 1581
Mann, Thomas C., 941
Mansfield, J. Kenneth, 158–163
Mansfield, Michael J., 570, 572, 679–681
Mao Tse-tung, 118
Marget, Arthur, 1619, 1632
Marjolin, Robert E., 1348, 1351–1353
Marlowe, Sanford S., 907–908, 911
Marshall, Charles B., 33, 42, 463, 898
Marshall, George C.:
  Antarctica, U.S. policy regarding, 1731*n*, 1732
  Armaments, regulation, U.S. policy regarding, 459, 476–479, 483, 496
  Atomic energy, foreign policy aspects of U.S. development, 687–690, 721, 746, 767, 768*n*, 777, 786*n*, 787
  Atomic weapons, possible use, 826, 843, 846, 854, 865, 874, 880, 895*n*
  Collective Measures Committee of the United Nations, U.S. policy regarding, 636, 638*n*, 639, 661–665

Marshall, George C.—Continued
Foreign aid program, 305, 307, 315, 334*n*, 350
National security objectives and programs, 48, 60–61, 72–73, 75, 91, 94*n*, 100–101, 104, 110–111, 919*n*
Psychological Strategy Board, establishment, 58
Trade with the Soviet bloc, U.S. policy regarding, 1009*n*, 1025, 1052, 1064*n*, 1096–1097, 1101–1102, 1104–1107, 1121–1123, 1140, 1192, 1199, 1204, 1207
Marshall Plan. *See* European Recovery Program.
Marten, F. W., 695–696, 713–715, 733, 764, 767, 768*n*, 883, 891, 900
Martin, Edwin M., 328, 408, 1150, 1216–1219
Martin, William McChesney, 1599, 1602–1603, 1615, 1618–1619, 1621–1622, 1632–1633
Martindale, Robert G., 1721
Martinique, 689
Massachusetts Institute of Technology, 928
Massigli, René, 579
Matthews, Francis P., 472*n*
Matthews, H. Freeman, 33, 92, 238, 312, 445–446, 453–454, 463, 545*n*, 748, 755, 763, 782, 805–806, 811–812, 814, 826–827, 831, 834*n*, 841–842, 845–846, 855–860, 863, 865, 874*n*, 875, 878–879, 883, 885–886, 888–894, 898–900, 912*n*, 923, 937–938, 940, 1106, 1116, 1177*n*, 1179, 1652*n*, 1662, 1671*n*, 1731–1732
Matthews, W. D., 654–655, 860*n*, 1438–1440
Maybank, Burnet R., 1449–1450
McCarthy, Joseph, 848, 1683
McClelland, Roswell D., 1103–1104
McCloy, John J., 1014, 1116
McCormack, John W., 331
McCormick, Clarence J., 255, 260, 1449–1450, 1452, 1666*n*, 1672–1673, 1683
McCormick, Adm. Lynde, 865, 875, 878–879
McCormick, Robert R., 848
McCullough, James A., 1619
McCune, Wesley, 255
McDiarmid, Orville J., 1589
McFall, Jack K., 328, 710–712, 752–755, 758*n*, 916*n*, 1202–1203, 1239, 1651*n*
McGhee, George C., 265, 277–278, 678*n*, 862, 936–937, 941, 968, 1645–1647, 1651*n*, 1658, 1661–1662, 1671*n*, 1672, 1682–1683
McGrath, J. Howard, 977*n*
McInerney, James M., 237
McKeever, Porter, 603
McKellar, Kenneth, 428, 1122
McKillop, David H., 699–702, 713, 733–736
McKinnon, H. B., 1345, 1445
McMahon, Brien, 158, 468–469, 510–511, 517, 573, 690*n*, 752, 758*n*, 772–773, 808, 882, 916*n*, 933, 1122
McMahon, Thomas J., 348
McNaughton, Gen. Andrew G. L., 895
McNeil, Wilfred J., 336
McQuiston, Frank, 750–751, 800
McWilliams, William J., 298*n*, 312, 408*n*, 453, 551, 1106, 1116–1117
Meade, C. A. Gerald, 523, 525–527, 529, 531, 542–543, 562–564
Mein, John G., 1387–1388
Melander, Johan, 1368–1371, 1396, 1399, 1498–1499
Mennel, Peter, 1365, 1398*n*
Merchant, Livingston T., 1685*n*
Mercury, 215, 221
Metallurgical coke, 1094
Metzger, Stanley D., 1214*n*
Mexico, 176, 220–221, 616*n*, 946, 1019, 1102, 1208–1209, 1257, 1539, 1626–1628, 1630, 1695, 1701
Meyers, Howard, 519–532, 542–543, 556–559, 563, 567–568, 574, 612
Mica, 215, 219, 221, 223, 1038
Millard, Hugh, 1495–1496, 1502–1504, 1548–1549, 1553–1558
Miller, Edward G., 176, 265, 339–340, 678*n*, 696, 699, 937–940, 1652*n*, 1661–1662, 1671*n*, 1672, 1685*n*
Miller, Air Vice Marshal F. R., 895
Miller, R. C., 1619, 1632
Miller, William K., 720
Mills, Sheldon T., 791–792
Mitchell, Hugh B., 710*n*
Mitchell, J. Murray, 93, 255, 1179
Moch, Jules, 595–596, 604–605, 609
Moffatt, Col. C. K., 1079*n*, 1109*n*, 1128*n*, 1129*n*, 1131, 1134*n*
Moline, Edwin G., 967*n*, 968, 1117–1118, 1156*n*, 1166, 1168, 1195–1198, 1210*n*, 1216*n*, 1229
Molybdenum, 215, 219, 221, 223, 1189
Monazite. *See under* Atomic energy, foreign policy aspects of U.S. development.
Mongolian People's Republic, 1035, 1040, 1046*n*
Moore, Ben T., 1070, 1129, 1131, 1363–1365
Morgan, Lt. Gen. Sir Frederick, 774–775
Morgan, Thomas P., 710*n*
Morgan, Sir William, 768
Morison, Graham, 977–978
Morocco, 156, 220, 799–801, 946
Morrison, Herbert S., 558*n*, 564–567, 575, 659, 661, 665–666, 753, 769, 880–883, 885, 890–893, 1164, 1182–1185, 1284*n*, 1406
Morse, Huntington T., 1692
Mosely, Philip E., 470
Most-favored-nation treatment, 1233–1235, 1257–1258, 1277, 1323, 1325, 1334, 1337, 1339, 1357, 1380, 1421
Mullen, Robert, 907–908
Mundt, Karl E., 902*n*, 933
Munitions Board, 30, 32–33, 52, 110, 135, 211, 218–219, 258, 985, 1610–1611
Muniz, João Carlos, 622, 628, 684
Muntz, Thomas G. A., 1365

Murphy, Charles S., 42*n*, 245*n*, 312, 922–923
Murphy, Robert D., 702–703, 715, 718, 739, 1126, 1410, 1478–1481, 1572
Murray, James E., 1683*n*
Murray, Thomas E., 729–730, 750, 775–776, 778–781, 789
Mutual Defense Assistance Act of *1949*, 267*n*, 305–306, 313–314, 318–321, 330, 430, 432–433
Mutual Defense Assistance Control Act of *1951* (*see also* Battle Act *under* Congress, U.S.), 341*n*, 1084*n*, 1177, 1201–1202, 1204*n*, 1214–1216, 1218, 1221–1224
Mutual Defense Assistance Program. *See under* National security policy.
Mutual Security Act of *1951*, 267*n*, 298, 313, 378*n*, 389–390, 425–426, 429, 433, 441, 958*n*, 1201, 1212–1213, 1232, 1500, 1502*n*, 1652*n*, 1659*n*, 1663
Mutual Security Agency, 240*n*, 389, 410, 427–428, 441, 958*n*, 1200–1201, 1213, 1521–1522
Mutual Security Program. *See under* National security policy.
Myrdal, Gunnar, 1222–1223

Nabuco, Mauricio, 783
Nash, Frank C., 93, 437*n*, 444–445, 447–449, 454, 466, 469, 480, 497, 498*n*, 533, 544–545, 549*n*, 556, 590–591, 599–600, 639, 682–683, 1732*n*
Nathan, Robert, 348
National Advisory Council on International Monetary and Financial Problems, 267–269, 285, 304, 345–347, 1506, 1509, 1518–1519, 1573, 1575–1640
National Planning Association, 1124
National Production Authority, 258, 967*n*
National Security Act, 176
National Security Council:
  Administrative structure and functions, 1*n*
  Atomic energy, foreign policy aspects of U.S. development, 721–723, 729–730, 746, 748, 777, 787–788, 794–795, 797
  Atomic energy, international control, 448
  Documents:
    NSC 10, Psychological warfare operations, 59–60, 179, 921
    NSC 14, U.S. position with respect to providing military assistance to nations of the non-Soviet world, 436
    NSC 15, Air traffic controls, 1092, 1191
    NSC 18, U.S. position with respect to Yugoslavia, 374
    NSC 20, U.S. objectives with respect to the Soviet Union to counter Soviet threats to U.S. security, 60–61, 71, 74, 88–89
National Security Council—Continued
  Documents—Continued
    NSC 29, Security of strategically important industrial operations in foreign countries, 973
    NSC 30, U.S. policy on atomic warfare, 820–821, 825, 872*n*, 875
    NSC 47, U.S. policy toward the Arab states and Israel, 375
    NSC 48, U.S. objectives, policies, and courses of action in Asia, 1379
    NSC 59, Psychological warfare operations, 59–60, 179, 921
    NSC 68, U.S. objectives and programs for national security, 13, 16, 25–28, 30–34, 40*n*, 60, 80, 81*n*, 88, 90–94, 101–110, 112–113, 116–118, 128–133, 136, 140, 142, 144–148, 158, 163–164, 166, 169, 170*n*, 171, 175, 177–182, 184, 187, 234, 237, 360, 362–363, 368–369, 375, 377–379, 382–385, 388, 412*n*, 456, 640, 723, 870, 919–922, 924, 927–928, 931–932, 942–943, 951, 953, 955–957
    NSC 73, Position and actions of the United States with respect to possible further Soviet moves in the light of the Korean situation, 817–818, 867*n*, 875
    NSC 79, U.S. and allied war objectives in the event of global war, 94–100, 444*n*, 477
    NSC 85, Program of U.N. action to stop aggression, 666–667
    NSC 90, Collaboration with friendly governments on exchange of information concerning operations against guerrillas, 82–85
    NSC 91, East-West trade, 993*n*, 1053–1054, 1061, 1066–1068, 1078
    NSC 94, East-West trade, 993*n*, 1011, 1018, 1077
    NSC 97, National petroleum program, 966–972, 974–992
    NSC 99, Program of physical security for industrial plants and allied facilities, 1091
    NSC 100, Recommended policies and actions in light of the grave world situation, 7–18
    NSC 102, Export control policy toward the Soviet bloc, 1000–1005, 1009–1011, 1012*n*, 1019*n*, 1049–1050, 1055
    NSC 103, Position of the United States with respect to Greece, 818
    NSC 104, U.S. policies and programs in the economic field which may affect the war potential of the Soviet bloc, 1023–1045, 1049–1055, 1058–1069, 1073–1074, 1079, 1080*n*, 1086–1093, 1109, 1175–1176, 1186–1192, 1196, 1203, 1214–1216

National Security Council—Continued
Documents—Continued
NSC 107, Position of the United States with respect to Iran, 818–819
NSC 110, Point Four program, 1650, 1652–1657
NSC 111, Interim general exception under Section 1302 of the Third Supplemental Appropriations Act of *1951*, 1095–1103, 1105–1109, 1121–1124, 1140–1141, 1153*n*, 1161, 1169*n*, 1174, 1176–1180, 1203–1214
NSC 112, Formulation of a U.S. position with respect to the regulation, limitation, and balanced reduction of armed forces and armaments, 448, 455–456, 476–496, 499–500, 513*n*, 515*n*, 529, 533, 542, 546, 548, 551, 556, 568, 578
NSC 114, Status and timing of current U.S. programs for national security, 106–107, 110–119, 127–158, 166, 170*n*, 176, 182–192, 196, 208–230, 232–238, 243–246, 256, 261–262, 360–390, 412–424, 428, 923–932, 942–954
NSC 120, Communication of data to Canadians concerning new ore refinery, 794–798
NSC 129, U.S. objectives and policies with respect to the Arab states and Israel, 971*n*, 974*n*, 983*n*
Mobilization program, 49–58
Soviet political and military objectives, 2–3
Special Committee on East-West Trade. *See under* East-West trade.
National security policy of the United States (*see also* Armaments, etc.; Atomic energy, foreign policy aspects, etc.; Atomic energy, international control; Collective Measures Committee of the United Nations; Korean conflict):
Allies of the United States, strength, 44–48, 70
Anglo-American-Canadian discussions regarding danger of war with the Soviet Union, 92, 443*n*, 802–901
Atomic weapons, possible U.S. use, 10–12, 17–18, 21, 27, 39, 125, 150, 158–163, 174, 185–186, 188, 225, 233, 537, 802, 808–812, 814–817, 819–826, 828–841, 845–846, 849–851, 853–901
Civil defense program, 93, 112, 115, 129*n*, 143, 147, 173, 183, 187–189, 225, 227–228, 230, 233, 236, 238
Commitments, 60–62, 71–73, 75–76, 80, 88, 107*n*, 240–241, 257
Containment policy, 8, 22–24, 28, 63, 308, 888
National security policy of the United States—Continued
Federal Civil Defense Agency, 225, 227
Foreign economic assistance program, 93, 102, 115, 129*n*, 131, 140–142, 183, 229, 236, 238, 261, 266–304, 322, 339, 345–347, 351–355, 360–365, 368–373, 375–377, 379–385, 390–425, 428–430, 439, 442, 1573–1574, 1576, 1581, 1587, 1592, 1600–1601, 1623–1625
Foreign information program, 115–116, 129*n*, 144–145, 147, 183, 902–965
Foreign military assistance program, 29, 31, 93, 102, 107*n*, 113, 115, 129*n*, 131, 140–142, 154, 183, 224–229, 236, 238, 261, 265–266, 270–275, 307–312, 326–330, 335–336, 339, 351–353, 360–377, 379–383, 385–387, 390–425, 428–439, 442, 639, 641, 958
Guerrilla warfare, 82–85
Guided missiles program, 103–104
Intelligence Advisory Committee, 4*n*, 85, 119, 120*n*, 145, 183–184
Interdepartmental Committee on Internal Security, 93, 146–147, 184, 1090–1091, 1190
Interdepartmental Intelligence Conference, 93, 146–147, 184
Internal security program, 236, 238
International Security Affairs Committee, 93, 112*n*, 115, 129*n*, 141, 183, 224, 226–227, 266, 285–289, 291–292, 294, 302–303, 306, 314–315, 317–318, 321, 360–408, 412–424, 427, 438–439, 441
Memorandum of understanding between the Departments of State, Treasury, Defense, and Economic Cooperation Administration regarding the organizational arrangements within the U.S. Government for policy formulation and implementation with respect to international security arrangements and military and economic assistance for mutual defense, *Dec. 19, 1950*, 266, 285, 292, 303, 331
Military policy and program, 93, 104, 114, 129*n*, 131–138, 147, 171–172, 180–181, 183–185, 224, 226–229, 235*n*, 236–238, 246, 257–259, 296, 318–321, 365
Mobilization program, 2–3, 8, 13–16, 18, 27–32, 37–42, 49–58, 70, 75–76, 80–82, 93, 114–115, 118, 122, 129*n*, 132–133, 137–140, 148, 168–169, 210, 213, 226, 232–233, 246–247, 250–260, 262, 322, 336–337, 351, 353, 436, 973, 981, 984, 990–991, 1027
Mutual Assistance Advisory Committee, 441

National security policy of the United States—Continued
Mutual Defense Assistance Program, 32, 80, 102, 105–106, 112, 225–227, 232–234, 284, 286, 307–312, 316–321, 326–330, 339, 341, 366–367, 431–438, 906
Mutual Security Program, 264–325, 329–442, 1197, 1226, 1231, 1623–1625, 1637, 1663
National Intelligence Estimates, 4–7, 64*n*, 119–127, 193*n*, 1046–1048
Objectives and programs, 1, 7–8, 21–40, 60–82, 88–118, 127–158, 163–177, 180–207, 224–238, 244–245, 360–390, 456, 802*n*, 808–809, 870
Petroleum resources of the Middle East, strategic importance, 47, 966, 970–971, 974–975, 980*n*, 981, 983
Psychological Strategy Board, establishment, 58–61, 63, 74, 178–180, 601, 918*n*, 921
Special Estimates, 193–207, 471–472
Strategic materials, procurement and stockpiling, 52, 93, 115, 129*n*, 143–144, 183, 208–223, 263, 294, 304–305, 347*n*, 420, 1574, 1598, 1600–1601, 1604–1605, 1609–1612, 1616–1619
War, global, possibility, 1–3, 6–7, 9, 11–12, 16, 18–19, 21, 25–27, 29, 31–32, 34–35, 38–47, 55, 62–67, 69–73, 75, 77, 87–88, 90, 94–100, 107–109, 111, 113, 118–127, 129–130, 150–151, 153, 165–169, 171–172, 181, 184–185, 188–189, 191, 195–199, 202, 204, 210–212, 218, 225–226, 231, 233, 240–242, 246, 257, 262, 352, 391, 407, 413, 421, 433–435, 443*n*, 444, 446, 463, 475, 499, 516, 617–618, 639, 654–655, 664, 685*n*, 726, 802–901, 913, 915–916, 944, 952–953, 964, 966–967, 970, 972, 979–981, 983, 987, 1042–1043, 1046–1047, 1053, 1086, 1091, 1732
Western hemisphere defense (*see also under* American Republics), 12, 28, 45, 70, 72, 79–80, 121, 150, 157, 176, 207, 270, 296, 385–386, 639–641, 783
National Security Resources Board, 7–18, 28, 30–31, 52–57, 966–967, 969, 1010, 1180, 1207
Navy, U.S. Department of the, 1702, 1705
Near and Middle East (*see also* Petroleum resources *under* National security policy):
British policy, 242, 975–976
Defense, 965, 976
French policy, 976
Middle East Command, proposed, 976
Nationalist movement, 205
Situation in, 360
Near and Middle East—Continued
Soviet policy, 4, 149–150, 185–186, 195, 197, 205, 320, 429
Trade with the Soviet bloc, 1011, 1018–1019, 1081
U.S. economic and military assistance, 270–271, 274–275, 283, 291, 294*n*, 296, 313–314, 316, 320, 326, 329–330, 346, 349, 362, 375–378, 390, 420, 423, 425–426, 1123, 1141, 1577, 1600, 1624, 1641–1642, 1645, 1657–1659
U.S. policy, 2, 155, 176, 203, 242–243, 506, 580, 944, 946, 948–949
Near East Foundation, 1643
Nehru, Jawaharlal, 68, 86, 206, 912
Nepal, 1103, 1207, 1209, 1643, 1652
Netherlands (*see also* Country positions *under* East-West trade; General Agreement on Tariffs and Trade), 326–327, 540, 946, 1102, 1235, 1626, 1631
Neves da Fontoura, João, 696–699, 783–784, 791–792
New Caledonia, 221
Newsprint, 1189
New Zealand (*see also* Country positions *under* Armaments, etc.; General Agreement on Tariffs and Trade), 2, 47, 221, 395, 401, 422, 867, 1726, 1732
Nicaragua (*see also under* General Agreement on Tariffs and Trade: Country positions), 1019, 1102, 1121, 1140, 1207, 1210, 1620–1623, 1631, 1703
Nichols, Clarence W., 1229
Nickel, 215, 219, 221, 223
Nigeria, 220–221
Nitze, Paul H., 33, 36, 92–93, 94*n*, 106, 110–112, 120, 172*n*, 177*n*, 232–234, 238, 295, 308*n*, 312, 328, 444–449, 453–456, 463–464, 466–468, 480, 499, 545*n*, 782, 812, 814*n*, 826–827, 831, 834*n*, 841–843, 845–852, 855–863, 865–866, 883–890, 898–899, 912*n*, 919, 923, 940–941, 1106, 1116, 1671*n*
Nonferrous scrap, 1094
North Africa, 1642
North Atlantic Treaty Organization (*see also under* Collective Measures Committee):
Belgian policy, 1503–1506
British policy, 77
Canadian policy, 412, 415
Coordinating Committee of the Paris Consultative Group, relationship to, 1056–1058, 1070
Council, 328, 587*n*, 588, 593*n*, 872, 996–998, 1006–1008, 1057, 1184, 1192, 1412*n*, 1414*n*
Defense Production Board, 327, 998–999, 1006–1008, 1057, 1070–1072, 1079–1080, 1083, 1092–1095, 1112, 1114, 1118–1120, 1126–1127, 1133–1134, 1150
Economic programs, 298

North Atlantic Treaty Organization—Continued
Finance and Economic Board, 1071–1073, 1079–1080, 1083, 1092, 1094–1095, 1113–1114, 1119–1121, 1126–1127, 1133–1134, 1150, 1197
French policy, 65–66
German Federal Republic, relationship to, 66, 200–202, 367–368, 416, 1056–1057, 1120, 1133
Greek and Turkish membership, proposed, 69, 76, 81, 167, 200, 349, 375, 377, 390, 414, 420, 422, 852, 858–859, 862–863
Medium-term defense plan, 186, 195, 200, 225–226, 294, 310, 352, 361–365, 367–374, 392, 412, 415–416, 436, 438, 588, 647
Membership, 367
Military strength, 495, 856, 914
Organization, 349, 368
Petroleum policy, 973–974, 982
Rearmament efforts, 201–202, 228, 240, 243, 296, 437*n*, 998, 1094, 1501
Soviet policy, 122, 126, 152–153, 240, 583
Spanish membership, question of, 272, 863
Temporary Council Committee, 236, 238, 437, 1519*n*
Trade with the Soviet bloc, restrictions on, 997–999, 1006–1008, 1031, 1056, 1061, 1069–1073, 1079–1080, 1083–1084, 1092–1095, 1112–1115, 1118–1121, 1126–1127, 1132–1134, 1149–1151, 1159, 1162–1163, 1172, 1175, 1181, 1183–1184, 1192, 1197, 1203
Turkish membership. *See* Greek and Turkish membership *supra*.
U.S. economic and military assistance, 307–311, 317, 335–336, 354, 360–363, 367–368, 377, 380, 412–415, 418, 432, 435
U.S. force contributions, 373, 412, 645
U.S. policy, 1, 10, 12, 15–16, 18, 20, 31, 36, 46, 65, 72, 76–78, 82, 84, 131, 140–142, 147, 154–155, 168, 175*n*, 200, 228, 271–272, 292, 294, 311, 330, 333, 343, 616, 641, 845, 870, 916, 921, 928, 930, 934, 946, 976, 1027, 1722, 1725
Norway (*see also Norway and Norwegian subheadings under* East-West trade; Territorial sea), 12, 221, 326–327, 827, 838, 946, 1102, 1626, 1631, 1723, 1725–1726, 1729

Oatis, William N., 1383, 1385, 1396, 1411
O'Conor, Herbert R., 1166–1167
Office of Defense Mobilization, 50–58, 93, 110, 129*n*, 137, 173, 183, 208–224, 240, 295, 441, 967*n*, 968–971, 973, 980, 982–984, 1011, 1034, 1199, 1207, 1213, 1228, 1610–1611
Office of Price Stabilization, 982–983
Office of War Information, 902*n*, 905
O'Gara, John, 1523*n*, 1685*n*
O'Hara, Robert, 308*n*
Ohly, John H., 238, 265, 350*n*, 408, 437*n*
Opium, 215, 219, 221–222
Oppenheimer, J. Robert, 600, 759
Ordonneau, Pierre, 621, 623
Organization for European Economic Cooperation, 292, 298, 903, 1082, 1133, 1234, 1319–1320, 1322, 1325–1332, 1335, 1338, 1341, 1343–1344, 1346–1355, 1357, 1359–1361, 1363–1364, 1367–1368, 1371, 1435, 1442, 1479, 1481, 1484–1486, 1491–1494, 1497, 1503, 1505, 1509–1510
Organization of American States, 329–330, 387–388, 408, 420, 867, 1092, 1197, 1647, 1672, 1733
Ortiz, Nester C., 968–970

Pace, Frank, 472*n*
Pacific pact, proposed, 78, 81, 131, 242, 272–274, 395, 640
Padilla Nervo, Luis, 607, 609–611
Pakistan (*see also* Kashmir dispute; *also under* Armaments, etc.; Collective Measures Committee; General Agreement on Tariffs and Trade): Afghanistan, dispute with, 156; foreign policy, 206, 401; International Monetary Fund quota, 1626; land reform program, 1671; Soviet policy, 149–150; treaty of friendship, commerce, and navigation with the United States, negotiations concerning, 1235–1237; U.S. economic and military assistance, 274–276, 442, 1043, 1081, 1103, 1208, 1210, 1603, 1642–1643, 1652; U.S. policy, 946
Palestine question, 47*n*
Palestine refugees (*see also under* United Nations: General Assembly), 375–376, 403, 407, 423, 426
Palm oil, 215, 219, 221–222
Panama, 1019, 1102, 1166, 1207, 1210, 1631
Panama Canal, 176, 1732
Panama Canal Zone, 1622
Paraguay, 221, 1019, 1102, 1207, 1210, 1235, 1627, 1631
Parodi, Alexandre, 528, 557, 575, 579
Parrott, Cecil C., 577, 579
Parsons, Maj. 713
Patterson, 1136–1139, 1155–1156, 1159–1160
Paz, Hipolito J., 1721
Pearson, Lester B., 92, 587–588, 590, 810–811, 814, 829, 845–854
Pella, Giuseppe, 1323, 1331, 1356
Penette, Gen. de Brigade Marcel, 629
Penfield, James K., 774–775
Penney, William G., 750, 758, 762, 766–767, 773–774, 798
Perkins, George W., 308*n*, 463, 545*n*, 579, 594, 678*n*, 681*n*, 699–701, 713–714, 733–735, 923, 934, 939–941, 1085–1086, 1216

Perón, Juan Domingo, 79, 1719
Perrin, M. W., 759
Peru (*see also under* General Agreement on Tariffs and Trade: Country positions), 220–221, 612, 1019, 1102, 1208, 1210, 1631, 1707
Peterson, Avery F., 1128*n*, 1145*n*, 1154*n*, 1156*n*
Petroleum, U.S. policies regarding (*see also* Petroleum resources *under* National security policy), 966–992
Petroleum Administration for Defense, 967–970, 972, 979–986, 988, 990–991
Petsche, Maurice, 1273*n*, 1323
Phelps, Vernon L., 1335–1348, 1365
Philip, André, 1262*n*, 1421
Philippine Trade Act, 1246, 1250
Philippines (*see also under* General Agreement on Tariffs and Trade: Country positions): Collective Measures Committee of the United Nations, member, 616*n*, 647, 684; Communist movement, 68; guerrilla warfare activities, 85, 156, 308, 356, 380–381; International Monetary Fund quota, 1631; Japanese peace treaty, attitude toward, 381; land reform program, 1671; political situation, 78, 205; security treaty with the United States, 2, 395, 422; Soviet policy, 47; strategic materials, production, 220, 420; U.S. economic assistance, 273, 355–356, 382, 395, 400–401, 406, 411, 419, 421, 423, 1099, 1103, 1121, 1140, 1207, 1210, 1593–1594, 1601–1602, 1605, 1652; U.S. military assistance, 272, 317, 326, 356, 379, 400–401, 406, 426, 429; U.S. policy, 72, 429, 867, 946
Pickett, Clarence E., 348
Pig iron, 1094
Pike, Sumner, 713, 733, 750–752
Pink, Ivor T. M., 1070–1071
Plaine, Hertzel, 1692
Plannell, Joaquin, 780–781, 794
Platinum, 213, 219, 221, 223
Pleven, René Jean, 77, 131, 1268–1272
Plutonium. *See under* Atomic energy, foreign policy aspects, etc.
Plywood, 1094
Point Four program, 264*n*, 267*n*, 273–280, 282–284, 302*n*, 314, 316–317, 322, 329, 339–340, 342–343, 348–349, 376, 384*n*, 389, 409–410, 427, 439, 717, 934, 1029, 1075, 1081, 1096, 1225, 1242, 1577–1578, 1641–1665
Poland (*see also under* Armaments, etc.: Country positions): Automotive parts sales by Denmark to, 1169–1178, 1180–1182; coal exports, 1169–1178, 1180–1182; Soviet military forces, 817, 839; Soviet policy, 86; Soviet trade, 1040; Soviet Union, attitude toward, 77; Sweden, trade with, 1077; U.S. policy, 945, 947, 1083–1084; U.S. trade restrictions,
Poland—Continued
1027–1028, 1037, 1039, 1046*n*, 1382
Polar regions, U.S. policy regarding, 1715–1736
Politis, Jean, 604, 1237
Pomeroy, Floyd S., 1694
Pontecorvo, Bruno, 758*n*, 882*n*
Pool, John C., 1719–1720
Popper, David H., 599*n*, 626, 658–659
Portal of Hungerford, Viscount, 696, 749, 758–759
Porter, Paul R., 1122
Porto Carrero, Ignacio, 1414*n*
Portugal, 20, 326, 584, 705, 775–776, 779, 946, 1012, 1102, 1121, 1140, 1208, 1210
Portuguese African colonies, 1014
Price, Harold L., 755
Psychological Strategy Board. *See under* National security policy.
Pyrethrum, 215, 221
Pyrites, 1038

Qatar, 971–973, 980*n*, 983
Quartz crystals, 215, 218–219, 221–222, 1038
Queuille, Henri, 77
Quinidine, 215, 219, 221–222
Quinine, 215, 221
Quint, Milton, 1117
Quirino, Elpidio, 1590

Ranney, F. Garner, 1685–1686, 1693–1694
Rare earths, 213, 219, 221–222
Raynor, G. Hayden, 577, 579, 626, 1085, 1316–1317
Razmara, Gen. Ali, 79
Real, Fritz, 1442–1443
Reciprocal Trade Agreements Act, 1093, 1463
Reckford, Gordon E., 298*n*
Reconstruction Finance Corporation, 57–58, 1610, 1612, 1616
Reinhardt, G. Frederick, 118, 312, 923, 1106
Revenue Act of *1951*, 1242–1243
Ribicoff, Abraham, 916*n*, 933
Richards, James P., 316, 342, 348, 350, 1125
Riddell, R. G., 622–624
Riddleberger, James W., 1500–1502
Ridgway, Gen. Matthew, 889
Riefler, Winfield W., 255–256
Robbins, Rear Adm. Thomas H., 33
Roberson, John, 720
Roberts, Brig. Gen. Frank N., 1179
Robertson, N. A., 829, 831
Rock, Vincent P., 969
Rockefeller, Nelson A., 278–279, 302, 339–340, 344, 348, 1655–1656
Rodriguez A., Mario, 1715–1719, 1734
Rogers, Maj. Gen. Elmer J., 33, 465
Rogers, James Grafton, 940
Romania, 86–87, 459, 839, 925, 945, 1027, 1035, 1037, 1040–1041, 1046*n*, 1382
Ronhovde, Andreas G., 1734*n*

Roosevelt, Eleanor (Mrs. Franklin D.), 570–573, 603–604, 608, 610, 679, 962
Roosevelt, Franklin D., 450–451, 690*n*, 693, 963
Roosevelt, Franklin D., Jr., 710*n*
Rooth, Ivar, 1626*n*, 1627–1628, 1637*n*, 1638
Rosenson, Alexander M., 1632
Ross, John C., 572
Rossiter, Fred J., 1280
Rowan, Sir Leslie, 1182
Rubattel, Rodolphe, 1160
Rubber, natural, 214, 219, 221, 223, 1037–1038, 1076, 1085, 1089, 1151–1152, 1183, 1185, 1217, 1230–1231
Ruby, 215, 221
Ruffin, Henri, 574
Ruffner, Maj. Gen. Clark L., 898
Rusk, Dean, 265, 277, 327, 678–679, 681, 938–939, 1661, 1671*n*, 1672
Ryckmans, Pierre, 699–703, 713–715, 733–737, 739, 742–743
Ryder, Oscar B., 1544–1545, 1559–1561
Ryukyu Islands, 382, 1103, 1206, 1210

Saad, Ahmed Zaki, 1488–1489
Salant, William A., 1484
Salazar, Antonio Oliveiro, 775–776, 779
Salt, Barbara, 500, 519, 523, 529, 542, 562
Sanders, William, 654–655
Sandifer, Durward V., 572, 607–608, 626–628
Sapphire, 215, 221
Sargeant, Howland H., 917, 939–940
Satterthwaite, Livingston, 1301, 1303
Saudi Arabia: Dhahran Airbase agreement, renewal, 376; petroleum resources, 971–973, 975, 980*n*, 983; Soviet policy, 69; U.S. economic assistance, 1103, 1207, 1210, 1645; U.S. policy, 79, 946, 976
Savage, Carlton, 92, 450–453, 814–820, 834–841, 855, 857
Sawyer, Charles, 237, 978*n*, 1002–1005, 1023, 1025, 1035*n*, 1054–1055, 1060, 1062*n*, 1065, 1069, 1088, 1108, 1174, 1176, 1180, 1190, 1199, 1207, 1217, 1279, 1599, 1603, 1615, 1618
Sayre, Francis B., 573
Schaetzel, J. Robert, 968, 1045*n*, 1476*n*, 1666*n*
Schaub, William F., 308*n*
Schuckburgh, Evelyn, 577, 579
Schuman Plan. *See* European Coal and Steel Community.
Schuman, Robert, 131, 202, 557, 559, 563, 567*n*, 569–570, 577*n*, 579–581, 604, 1391, 1395, 1402, 1404–1405, 1407, 1412–1413
Schumann, Maurice, 579
Schwartz, Joseph J., 348
Schwarzwalder, George F., 912*n*
Schwenger, Robert B., 1280–1282, 1311–1313, 1335–1338, 1341–1342, 1344–1346
Schwinn, Walter P., 90–91
Scott, R. H., 1182
Scott, Maj. Gen. Stanley L., 308*n*
Scott, Walter K., 917, 935, 941
Searles, Fred, 966*n*
Searles, Richard D., 255, 259, 977–978
Second War Powers Act of *1942*, 1425, 1447
Sector principle. *See under* Arctic.
Sekaninova-Cakrtova, Mrs. Gertruda, 588*n*
Shantz, Harold, 1161–1162
Shaw, William H., 255
Shawcross, Sir Hartley, 1076, 1398, 1402, 1409
Shellac, 215, 219, 221–222
Sherman, Adm. Forrest P., 33, 36–37, 463–464, 863
Shinwell, Emanuel, 695–696
Short, Joseph, 773, 782*n*
Shulman, Marshall D., 922–923
Shvernik, Nikolai Mikhailovich, 916*n*
Sibert, Brig. Gen. Edwin L., 1731
Silicon carbide, 1152
Silk waste and noils, 213, 219, 221–222, 1094
Silvercruys, Baron Robert, 699, 703, 713, 715, 733
Silverman, Sydney, 900
Slessor, Air Marshal Sir John, 803–804, 806–807, 811, 826–827, 842–843, 874, 876–877, 886
Small, J. D., 255
Smith, Cmdr. Emery, 1692, 1701
Smith, Walter Bedell, 2–3, 58, 235*n*
Snyder, John W., 237, 345*n*, 1023, 1035*n*, 1069, 1089, 1176*n*, 1207, 1382*n*, 1423, 1580, 1582–1583, 1599–1601, 1603–1604, 1615–1619, 1632, 1634
Somoza García, Anastasio, 1414*n*
Southard, Frank A., Jr., 1488, 1589–1591, 1599, 1613–1615, 1619, 1626–1628, 1632–1634, 1636–1637
South Asia: Situation in, 206–207; U.S. economic and technical assistance, 266, 270, 274, 282, 346, 349, 355, 379, 381–382, 384, 401, 406, 420, 423, 1577, 1624, 1641*n*, 1642–1643, 1655; U.S. policy, 944, 948–949
Southeast Asia: Chinese People's Republic threat, 18, 204–206, 1048; Communist threat, 1036, 1046*n*; situation in, 506; Soviet policy, 11–12, 185; strategic importance, 47; U.S. economic and technical assistance, 266–267, 269, 273–274, 283–284, 291, 346, 355, 382, 384, 409–410, 420, 425, 1577, 1593, 1595, 1600, 1602, 1624, 1641–1642, 1655; U.S. policy, 17, 944, 947
Southern Rhodesia (*see also under* General Agreement on Tariffs and Trade: Country positions), 220–221, 1103, 1208, 1210
Southworth, Constant, 1438–1440
Sovereignty, questions relating to, 67, 72, 537, 649, 651, 843, 852, 884–886, 889, 1081, 1708–1712, 1714, 1719–1721, 1725, 1729, 1733

Soviet Union (*see also Soviet Union and Soviet subheadings under individual countries and subjects*):
Antarctica, policy toward, 1716, 1727–1731
Atomic stockpile and capabilities, 10–11, 17, 20, 24–28, 35, 43, 109–110, 113, 121–122, 132, 150, 167–168, 172, 184–185, 187–189, 191, 193–195, 224–225, 227–228, 230, 234, 237, 244, 464, 476, 537, 686, 748, 773–774, 780–782, 836
Defectors, U.S. policy toward, 426
French policy, 35, 65–66
Peace offensive, 107*n*, 109, 113, 122, 130, 152, 197, 311, 448, 473, 503, 516, 518, 537, 540, 565, 847, 856, 961–962, 964
Political and military objectives, 2–8, 10–12, 14–17, 19–28, 34–40, 42–46, 63–67, 71–73, 76–77, 85–88, 90, 96, 98, 101, 103, 106–111, 113, 118–127, 129–131, 148–153, 163–175, 177–178, 180–181, 184–200, 202, 224–225, 227–228, 234, 237, 240–241, 243–244, 261, 335, 352, 456, 467–468, 494–496, 516, 723, 847–850, 870, 912–913, 1026
Strategic materials, production, 220–221
Trade agreement with the United States, U.S. modification, 138
U.S. relations with, 1, 1723
Spain (*see also* Spanish interests *under* Atomic energy, foreign policy aspects, etc.):
Armaments, regulation, proposed participation in program for, 584
British policy, 77
French policy, 77
North Atlantic Treaty Organization, relationship to, 273, 863
Strategic importance, 20, 46, 66, 200
Strategic materials, production, 220–221
Territorial sea, policy regarding, 1695
Treaty of friendship, commerce, and navigation with the United States, negotiations concerning, 1234
U.S. bases, question of, 12, 878
U.S. economic and military assistance, question of, 272, 317, 330, 336, 349, 365, 366*n*, 374, 418, 426, 428*n*, 430*n*, 1096, 1103, 1105, 1121, 1140, 1207, 1210
U.S. policy, 859, 863, 870, 944, 946
Spare parts, 1038
Speier, Hans, 921*n*
Spence, Brent, 1454
Spender, Percy C., 1449
Sperm oil, 215, 219, 221, 223, 1094
Spiegel, George C., 1279
Spiers, Ronald, 720
Spofford, Charles M., 88, 285, 348, 437*n*, 647*n*, 996–1000, 1006–1008, 1079, 1080*n*, 1083–1084, 1093–1095, 1118–
Spofford, Charles M.—Continued 1121, 1126–1127, 1132–1134, 1149–1151, 1158, 1162
Spry, Maj. Gen. James W., 781
Sri Lanka (*see also under* General Agreement on Tariffs and Trade: Country positions), 220–221, 401, 926, 1103, 1205, 1208–1209, 1629, 1643, 1652
Srole, Saul R., 1484
Staats, Elmer B., 1599, 1605, 1615, 1618
Stalin, Iosif V., 165, 167, 170, 537, 857
Stassen, Harold E., 272
Steel, 1038, 1094
Steel, Sir Christopher, 497–498, 713–714, 733–738, 763, 765–768, 891–893, 900, 1301–1304
Steelman, John R., 1522–1523
Steensen-Leth, Vincens de, 997, 1006, 1008
Stenger, Jerome J., 1580, 1589, 1619
Stevens, Adm. L. C., 42–44
Steyn, G. J. G., 1283*n*
Stikker, Dirk U., 1323
Stinchcomb, Capt. Harry R., 1692
Stinebower, Leroy, 280, 282–283, 1580
Stowe, David H., 177
Strait, E. B., 912*n*
Strategic and Critical Materials Stockpiling Act, *1946*, 208–209
Strategic materials. *See under* National security policy.
Strauss, Frederick, 1128, 1139
Sudan, 45, 69, 220
Suetens, Max, 1481–1482, 1487, 1489–1490, 1496
Suez Canal, 45, 69
Sugar, 1256, 1258
Sulphur and sulphuric acid, 1038, 1189
Sundquist, James L., 255
Supreme Allied Commander, Europe, 975
Supreme Commander, Allied Powers, Japan, 949
Supreme Headquarters, Allied Powers, Europe, 78, 261–262, 330, 349, 363, 372, 631, 694*n*, 916, 976
Surinam, 220
Svec, Karel, 1533–1537
Svejnoha, A., 1536
Swan, Col. A. B., 634*n*
Swayzee, Cleon, 1683*n*
Sweden (*see also* Country positions *under* East-West trade; General Agreement on Tariffs and Trade), 980*n*, 995, 1077–1078, 1102, 1235, 1589, 1626–1627, 1631, 1690, 1695, 1727
Sweet, Capt. Henry E., 1692
Switzerland (*see also under* East-West trade: Country positions), 220–221, 1433, 1442–1443
Symington, W. Stuart, 7–18, 21–33, 254, 260
Syria, 349, 376, 593–595, 946, 1019, 1103, 1121, 1140, 1208, 1210, 1235, 1566*n*, 1631
Szymczak, M. S., 1580–1581, 1589–1591

Taiwan (*see also* China, Republic of): Chinese People's Republic threat, 19, 78, 123, 204, 356, 395, 422, 819; invasion threat, 12, 123, 320, 398; Soviet policy, 240; U.S. policy, 9, 17, 28, 48, 78, 123, 308, 429, 457, 460, 819, 850, 869, 946
Talc, 215, 219, 221–222
Tannenwald, Theodore T., 42*n*, 437*n*, 438, 1218–1220
Tantalite, 219, 221–222
Tariff Acts of: *1922*, 1697; *1930*, 1374–1376, 1379–1380, 1469, 1526, 1531–1532, 1562
Tariff Commission, 1245*n*, 1345, 1374–1378, 1380–1381, 1401, 1460–1461, 1470, 1473–1474, 1476–1478, 1522–1528, 1530–1533, 1537, 1541, 1544–1547, 1549–1562, 1565
Tate, Jack B., 864, 1671*n*, 1685*n*, 1689, 1694
Taylor, Frank D., 1000
Taylor, Fred E., 1694, 1699
Taylor, Telford, 255–256
Tebbit, Donald C., 1685–1689, 1690*n*, 1691, 1693
Technical Cooperation Administration, 302, 314, 318, 349, 442, 936, 1641*n*, 1642, 1644–1646, 1649–1653, 1657–1661, 1663–1665, 1684
Tedder, Marshal of the Royal Air Force the Lord, 749, 768, 803, 806–808
Teller, Edward, 762
Terrill, Robert P., 704–709, 778, 799–801
Territorial sea, delimitation: Anglo-American discussions concerning, *Mar. 22–23, 1951*, 1694–1714; American Republics, position, 1699, 1707; British position, 1685–1691, 1694–1696, 1698, 1700–1705, 1707–1709, 1713; Canadian position, 1690; Chilean position, 1707; contiguous zone, 1697–1699, 1701, 1703–1705, 1712–1713; continental shelf, 1697, 1699, 1701, 1706–1714; Costa Rican position, 1701; customs and revenue jurisdiction, 1697–1699, 1704, 1710, 1713; Danish position, 1696; defense jurisdiction, 1697, 1699, 1701–1705, 1710, 1713; fisheries jurisdiction, 1697, 1699–1701, 1713–1714; four-mile limit, 1686-1687, 1695–1696; Icelandic position, 1690, 1695–1696, 1701, 1713; Mexican position, 1695, 1701; nine-mile limit, 1695; Norwegian position, 1686–1688, 1690–1691, 1694–1696, 1711, 1713; Peruvian position, 1707; pollution questions, 1697, 1701, 1705, 1713; Spanish position, 1695; Swedish position, 1690, 1695; three-mile limit, 1686–1690, 1694–1696, 1698–1700, 1713; twelve-mile limit, 1697–1699, 1704; U.S. position, 1685–1714
Thailand, 205, 221, 240, 273, 308, 317, 326, 382, 395, 399–400, 405, 419–420, 422–423, 946, 980*n*, 1103, 1121, 1140, 1207, 1210, 1594, 1631, 1652
Thompson, Llewellyn E., 1413, 1431
Thorium metals and compounds. *See under* Atomic energy, foreign policy aspects, etc.
Thorp, Willard L., 49–50, 264–265, 276–278, 282, 321*n*, 445, 448, 453–454, 912*n*, 966–968, 971–974, 1009–1012, 1018*n*, 1045, 1049–1052, 1054, 1059, 1065*n*, 1106, 1122, 1139–1142, 1159, 1163, 1236, 1239, 1245*n*, 1263, 1273, 1289–1297, 1301–1304, 1392, 1399, 1402, 1404–1407, 1409, 1412, 1414–1419, 1421, 1423, 1449–1452, 1481*n*, 1525*n*, 1542*n*, 1545–1547, 1580–1581, 1589–1591, 1599, 1601–1605, 1615, 1618–1619, 1621–1622, 1632–1634, 1671–1672, 1682, 1684
Tibet, 68
Tin, 214, 219, 221, 223, 1038, 1089, 1151–1152, 1164, 1230, 1232
Tine, Jacques, 623, 645–646, 652–653
Tito, Josip Broz, 6, 39, 197
Tobias, Channing H., 573, 1682
Tomkins, E. E., 763
Toner, Albert, 280–283
Trade Agreements Act of *1934*, 1248*n*, 1325, 1563–1564
Trade Agreements Extension Act of *1945*, 1248*n*, 1300; *1949*, 1334*n*, 1373, 1380, 1523*n*; *1951*, 1192, 1255, 1257, 1266, 1344*n*, 1345, 1370*n*, 1373–1381, 1383, 1387, 1423, 1453*n*, 1467*n*, 1509, 1522, 1544
Treasury, U.S. Department of, 266, 286, 303–304, 334, 441, 969*n*, 1004–1005, 1011, 1034, 1090, 1189, 1191, 1207, 1213, 1242, 1276, 1278–1279, 1293, 1320, 1324, 1345, 1411, 1421, 1423, 1489, 1491, 1495, 1639–1640, 1697
Treaties, conventions, agreements, etc. (*see also* General Agreement on Tariffs and Trade):
Agreed Declaration by President Truman, Prime Minister Attlee, and Prime Minister Mackenzie King on atomic energy, *1945*, 473
Agreement between Italy and the United States supplementing the treaty of friendship, commerce, and navigation of *1948*, *Sept. 26, 1951*, 1239
Anglo-French Turkish Mutual Assistance Pact, 818
Anglo-Iraq Treaty of Alliance, *1930*, 69
Atlantic Charter, *1941*, 450–451, 922
Brussels Convention on Tariff Nomenclature, *Sept. 1950*, 1328, 1332
Convention between Russia and the United States, *1867*, 1723–1724

Treaties, conventions, agreements, etc.—Continued
Convention on European Economic Cooperation, 1366
Estate tax conventions between the United States and: Canada, *June 12, 1950 and June 8, 1944*, 1240, 1243; Greece, *Feb. 20, 1950*, 1240; Ireland, *Sept. 13, 1949*, 1240; Norway, *June 13, 1949*, 1240; Switzerland, *July 9, 1951*, 1242; Union of South Africa, *Apr. 10, 1947 and July 14, 1950*, 1240
Fisheries Convention of *1949*, 1699
Fishery Treaty of *1901*, 1695–1696
General Agreement on Tariffs and Trade, *1947*, 1245, 1247–1251, 1265, 1315, 1325*n*, 1379, 1539*n*, 1565–1566, 1570–1571
Hyde Park agreement between Canada and the United States, *1941*, 1280*n*
Income tax conventions between the United States and: Belgium, *Oct. 28, 1948*, 1242; Canada, *Mar. 4, 1942* and *June 12, 1950*, 1240–1242; Denmark, 1242; Greece, *Feb. 20, 1950*, 1240–1241; Ireland, *Sept. 13, 1949*, 1240, 1242; Netherlands, 1242; New Zealand, *Mar. 16, 1948*, 1240–1241; Norway, *June 13, 1949*, 1240–1241; Switzerland, 1240–1242; Union of South Africa, *Dec. 13, 1946 and July 14, 1950*, 1240–1241; United Kingdom, *1946*, 1241–1242
Industrial Mobilization Agreement between Canada and the United States, *Oct. 26, 1950*, 1279–1280, 1294
Inter-American Treaty of Reciprocal Assistance (Rio Treaty), *1947*, 21*n*, 207, 1733
International Convention for the Regulation of Whaling, *1946*, 1716–1717
International Trade Organization Charter (Habana Charter), *1948*, 1265, 1420, 1463, 1509, 1539
Memorandum of agreement between Belgium, United Kingdom, and United States regarding the control of uranium, *Sept. 26, 1944*, 701, 714, 716–717, 731–732, 735, 738*n*, 739, 743–746
Memorandum of agreement between Brazil and the United States with respect to monazite sands and other carriers of thorium and thorium compounds, *July 6, 1945*, 697
*Modus vivendi* on atomic energy between Canada, United Kingdom, and United States, *Jan. 7, 1948*, 722, 724–725, 822
Moscow Declaration, *1945*, 474

Treaties, conventions, agreements, etc.—Continued
North Atlantic Treaty, *1949*, 21*n*, 265, 271–272, 274, 291, 309–310, 312, 494–495, 633, 638–639, 645, 660, 674, 816–817, 819–820, 837–840, 853, 862, 899, 1641*n*
Northwest Atlantic Fisheries Convention, 1713
Peace treaties with Bulgaria, Hungary, and Romania, 495
Quebec Agreement. *See under* Atomic energy, foreign policy aspects, etc.
Soviet-Iranian Treaty of *1921*, 79, 125
Trade agreement between Austria and Poland, 1171
Trade agreements between Denmark and Poland, *1949–1952*, 1169–1170, 1174–1175
Trade agreements between the United States and: Argentina, *1941*, 1437*n*, 1564–1565, 1568; Belgium, *1935*, 1566; Brazil, 1566; Canada, *1938*, 1566; Cuba, 1566; Czechoslovakia, *1950*, 1384; Ecuador, 1437*n*, 1567; El Salvador, 1437*n*, 1567; Finland, 1566; France, *1936*, 1566; Guatemala, 1437*n*, 1567; Haiti, 1566; Honduras, 1437*n*, 1567; Iceland, *1943*, 1564–1565, 1569; Iran, *1949*, 1437*n*, 1564–1565, 1568; Mexico, 1539, 1565*n*; Netherlands, *1935*, 1566; Nicaragua, 1566; Paraguay, *1946*, 1565, 1569–1570; Peru, *1943*, 1258, 1437*n*, 1566; Sweden, 1566; Switzerland, *1936 and 1950*, 1442, 1567, 1571–1572; Turkey, *1939*, 1437*n*, 1567; United Kingdom, *1938*, 1566; Uruguay, *1942*, 1437*n*, 1564, 1566, 1568–1569; Venezuela, *1939*, 1437*n*, 1567
Treaties of friendship, commerce, and navigation between the United States and: Argentina, *1853*, 1235; China, 1238; Colombia, *Apr. 26, 1951*, 1233, 1239; Denmark, *Oct. 1, 1951*, 1239; Greece, *Aug. 3, 1951*, 1239; Ireland, *1950*, 1237, 1239; Israel, *Aug. 23, 1951*, 1239, Italy, *1948*, 1239; Uruguay, *1949*, 1233, 1237–1238
Treaty of amity and economic relations between Ethiopia and the United States, *Sept. 7, 1951*, 1239
Treaty of friendship, alliance, and mutual assistance between the Chinese People's Republic and the Soviet Union, *Feb. 14, 1950*, 819, 850
United Nations Charter, *1945*, 9, 11, 18, 451, 462, 475*n*, 494, 518, 602, 613, 617, 619, 630, 636–639, 643, 645, 647, 649–651, 657, 660–661, 668, 672, 674, 676–677, 684, 703, 1702

Trieste, 240, 418, 867, 1102, 1207, 1210
Trigg, Ralph S., 255
Trimble, William C., 1548
Truman, Harry S.:
Budget message to Congress, annual, *Jan. 15, 1951*, 37, 265, 269–270, 351, 932
Armaments, regulation, U.S. policy regarding, 451–452, 456, 461, 466–468, 472–475, 477–478, 484, 522, 531, 533, 543, 544*n*, 545–548, 549*n*, 551, 556, 558–559, 562–563, 567, 570, 575, 579, 582, 591, 593, 599, 601, 959, 963
Atomic energy, foreign policy aspects of U.S. development, 473–474, 691, 693, 703–704, 722*n*, 723, 747–748, 757, 771, 773, 778, 780–782, 787–788, 794–795, 797–798
Atomic weapons, possible use, 808–812, 814–815, 820–829, 832, 835, 837, 853, 869–870, 872, 875–877, 882, 884, 894
Collective Measures Committee of the United Nations, U.S. policy toward, 638*n*, 656
Foreign aid program, 266–267, 269–270, 283–285, 288–292, 298–303, 305–306, 312, 314–318, 321*n*, 329–331, 334–335, 345*n*, 350–353, 355, 360*n*, 370, 389–390, 425–426, 430, 433, 436*n*, 1623
General Agreement on Tariffs and Trade, 1245, 1247–1248, 1256, 1259–1260, 1265*n*, 1270–1272, 1275–1276, 1278–1279, 1289, 1291, 1293–1296, 1311–1313, 1373–1379, 1381, 1382*n*, 1387, 1423, 1438*n*, 1443–1445, 1449–1450, 1452, 1460–1467, 1476–1477, 1523–1527, 1530–1533, 1545–1546, 1549–1551, 1553, 1558–1562, 1565
Gray report, 1573*n*
Greece, U.S. policy toward, 818
Guided missiles program, 103
International information program, 902*n*, 906–907, 909–910, 912*n*, 916, 918–919, 921*n*, 922, 924, 932–933, 957–958, 963
Iran, U.S. policy toward, 818
Land reform program in foreign areas, U.S. policy regarding, 1668, 1682–1683
MacArthur, General, dismissal, 89
Mutual Defense Assistance Control Act, signature, 1204*n*
Mutual Defense Assistance Program, report to Congress, 326*n*
Mutual Security Act, signature, 425, 1197*n*
Mutual security message, *May 24, 1951*, 300–301, 312, 317–318, 329, 334, 389
National Security Council meetings, 7*n*, 40*n*, 88*n*, 91, 128
Truman, Harry S.—Continued
National security, U.S. objectives and programs, 13, 21, 22*n*, 25–27, 31, 33*n*, 58, 91, 101–103, 116–117, 127, 129, 133, 147*n*, 157–158, 163, 173, 176–177, 180, 182*n*, 224, 229, 235–238, 244–245, 253–254, 360*n*, 849
Petroleum, U.S. policies regarding, 966*n*, 971, 976–979
Point Four program, 1641–1644, 1650, 1652*n*, 1653–1654
Proclamation of National Emergency, *Dec. 16, 1950*, 3*n*, 54, 70, 73, 915*n*
Psychological Strategy Board, establishment, 58–60, 178–179, 918*n*
State of the Union message to Congress, annual, *Jan. 8, 1951*, 915*n*
Territorial sea, delimitation, U.S. policy regarding, 1699–1701, 1706, 1708, 1713
Trade agreement escape clauses, report to Congress, *Jan. 10, 1952*, 1522, 1562–1572
Trade with the Soviet bloc, U.S. restrictions on, 1003, 1010, 1023–1025, 1035, 1054–1055, 1065–1066, 1069, 1073–1074, 1080*n*, 1084, 1104, 1112–1113, 1117–1118, 1121, 1125, 1139–1140, 1174, 1176–1177, 1179, 1185, 1196, 1198–1202, 1204*n*, 1211, 1214–1215, 1221
U.S. bases in the United Kingdom, discussions concerning use, 803, 810–811, 846, 881–882, 888, 892, 893*n*, 894
Tsiang, Tingfu F., 564
Tufts, Robert W., 33, 37–40, 94*n*, 238, 262–263, 463, 464*n*, 465, 476*n*, 865–866, 898
Tung oil, 1094
Tungsten, 215, 218–219, 221–222, 1094, 1189
Tunisia, 946
Turkey (*see also Turkey and Turkish subheadings under* Armaments, etc.: General Agreement on Tariffs and Trade; North Atlantic Treaty Organization): Collective Measures Committee of the United Nations, member, 616*n*, 647, 684; International Monetary Fund quota, 1631; Middle East Command, relationship to, 976; Soviet policy, 124–125, 839–840; strategic importance, 20, 36, 46–47, 155, 205, 243, 980*n*; strategic materials, production, 220–221; trade with the Soviet bloc, 1019; treaty of friendship, commerce, and navigation with the United States, negotiations concerning, 1235; U.N. forces in Korea, contribution, 276; U.S. bases, question of, 12, 847; U.S. economic and military assistance, 274–275, 308, 313–314, 317–319, 321, 326, 329–330, 336, 349, 364, 375, 377–378, 390, 411, 419–420, 422–

Turkey—Continued
423, 426, 429, 941, 1012, 1102, 1208, 1210, 1603: U.S. policy, 21*n*, 242, 818, 868, 870, 946
Twining, Gen. Nathan F., 33, 755, 763, 898

Uganda, 221
Under Secretary's Advisory Committee, 445–448, 453–455
Union Minière du Haut Katanga, 700, 718, 732, 735
Union of South Africa (*see also under* General Agreement on Tariffs and Trade: Country positions), 220–221, 543, 564, 634, 727, 750–752, 791, 1173, 1627–1628 1631, 1727, 1732
Union of Soviet Socialist Republics. *See* Soviet Union.
United Kingdom (*see also United Kingdom and British subheadings under individual countries and subjects*): Balance-of-payments situation, 201; celestite production, 220; Collective Measures Committee of the United Nations, member, 616*n*, 647, 684; gross national product, 365; inflation problem, 251; International Monetary Fund quota, 1626, 1631; rearmament program, 272, 1184–1185; Soviet threat, 186; Soviet Union, policy toward, 155; sperm oil production, 221; strategic importance, 20, 45; treaty of friendship, commerce, and navigation with the United States, negotiations concerning, 1235; U.N. Korean Rehabilitation Agency, contribution to, 359; U.S. bases in, discussions with the United States concerning use, 802, 804–807, 810–812, 814–815, 820, 822, 826–827, 833, 835–836, 842–843, 864–866, 871, 873–894, 898–900; U.S. economic aid, suspension, 271; U.S. economic and military assistance, 326–327, 355, 369, 436, 1102: U.S. relations with, 1, 241, 946, 1725
United Nations (*see also* Collective Measures Committee):
Atomic Energy Commission, termination, 443, 451, 461, 466, 478, 497, 498*n*, 508, 521*n*, 534, 538–541, 552–555, 576, 583, 585, 613, 822
Chinese representation question, 78
Collective security role, proposals regarding, 616–618, 625–626, 630, 632–634, 637, 639–640, 642–645, 650, 653, 656–658, 660, 665–666, 668–670, 672, 674–678, 680–683
Commission for Conventional Armaments, termination, 443, 451, 461, 466, 478, 484*n*, 491, 497–498, 501*n*, 534, 538–539, 541, 552–555, 576, 583, 585, 599, 613
United Nations—Continued
Disarmament Commission, establishment, 554–555, 557, 563, 574, 576, 578, 584, 587–591, 593, 596–599, 602–603, 605, 607, 609–611, 613–615
Economic and Social Council, 1421, 1673–1682
Formation, 21*n*
General Assembly (*see also under* Armaments, etc.; Atomic energy, international control; Collective Measures Committee):
Arab-Asian bloc, 912
Chinese Communist aggression in Korea, 36, 827, 913–914
Chinese representation question, 444, 447, 461
Committees:
*Ad Hoc* Committee on Additional Measures, 624–625, 631, 654, 1076, 1085, 1089, 1188–1189, 1197
*Ad Hoc* Political Committee, 528–529, 538
Committee of Twelve on Disarmament, 443, 451–452, 466, 497–498, 500, 501, 528–529, 534, 538–541, 552–558, 574, 576, 584–585, 596, 602, 613
Committee One, 526, 529, 563, 574, 576, 584*n*, 587–589, 591–599, 603–607, 609–612, 625, 671, 676, 684
Committee Two, 1681
General Committee, 572
Interim Committee, 623
Economic sanctions against Chinese People's Republic and the Democratic People's Republic of Korea, 624, 631, 654, 993*n*, 1030–1031, 1062, 1068, 1076, 1085, 1089, 1168, 1188–1189, 1206
Korean question, 36, 680
Moroccan question, 801
Palestine refugee question, 275, 284, 291, 313, 349, 407, 409–410, 426, 1641, 1658
Resolutions:
Arms embargo for Chinese People's Republic and Korean Democratic People's Republic, *May 18, 1951*, 1206
Essentials for Peace, *Dec. 1, 1949*, 518, 541
*41 (I)* on Principles Governing the General Regulation and Reduction of Armaments, *Dec. 14, 1946*, 474, 541
*191 (III)* regarding International Control of Atomic Energy, *Nov. 4, 1948*, 446*n*, 540–541
*299 (IV)* on International Control of Atomic Energy, *Nov. 23, 1949*, 541

United Nations—Continued
General Assembly—Continued
Resolutions—Continued
*377* (V) on Uniting for Peace, *Nov. 3, 1950*, 81, 616–617, 619–620, 626–627, 631*n*, 632–633, 636, 638–639, 642–651, 653, 656, 658–662, 664–665, 667–669, 672–678, 680–681, 683
*380* (V) on Peace through Deeds, *Nov. 17, 1950*, 518, 541, 823*n*, 835
*401* (V) on land reform, *Nov. 20, 1950*, 1669, 1673–1674, 1677–1678, 1681
*496* (V) on International Control of Atomic Energy, *Dec. 13, 1950*, 443, 552–553, 555, 585, 613
*502* (VI) on disarmament, *Jan. 11, 1952*, 612–615
*503* (VI) on methods which might be used to maintain and strengthen international peace and security in accord with the purposes and principles of the Charter, *Jan. 12, 1952*, 684
*524* (VI) on land reform, *Jan. 12, 1952*, 1681
Military Staff Committee, 475*n*, 618, 622, 627, 630, 634, 650
Peace Observation Commission, 616*n*, 667
Regional arrangements, relationship to, 618–620, 622–623, 635, 665–666, 674, 677–682
Secretariat, 552, 609, 622, 627, 633, 635, 639
Secretary-General, 443–444, 586, 615, 619–620, 622, 633–634, 638, 648*n*, 675, 678, 680, 683, 1674–1675, 1677
Security Council (*see also under* Armaments, etc.: Atomic energy, international control; Collective Measures Committee): Kashmir dispute beween India and Pakistan, 572; role and function, 616*n*, 630, 650, 656–657; Soviet position, 964; veto question, 484, 964
Specialized agencies, 655
Technical assistance program, 283–284, 314, 329–330, 349, 387–388, 395, 408, 420, 423, 1655
Trusteeship Council, 1669
U.N. Conference on Trade and Employment, Habana, *Nov. 17, 1947–Mar. 24, 1948*, 1265*n*
U.N. Declaration of Human Rights, 963
U.N. Economic Commission for Europe, 1222–1223, 1584
U.N. Educational, Scientific and Cultural Organization, 964
U.N. International Children's Emergency Fund, 291, 1641*n*
U.N. Korean Rehabilitation Agency, 273, 284, 291, 313, 330, 349, 355, 358–359, 397, 404, 409–410, 423, 425
U.N. Relief and Rehabilitation Administration, 1170
Universal Military Training and Service Act of *1951*, 138
Uranium. *See under* Atomic energy, foreign policy aspects, etc.
Uruguay (*see also under* General Agreement on Tariffs and Trade: Country positions), 221, 1019, 1102, 1188, 1208, 1210, 1233, 1237–1238, 1631
Urzaiz, Cmdr. Alvaro, 781

Vanadium, 215, 221
Van Blankenstein, H., 1319–1328, 1332–1336, 1339, 1341, 1343–1352, 1370–1371, 1551–1552
Vandenberg, Arthur, 963
Vandenberg, Gen. Hoyt S., 435–436, 463, 866, 875, 877–879
Van Kirk, Walter, 348
Van Kretschmar, J. H. J., 1443
Van Roijen, J. H., 1458–1459
Van Starkenborgh Stackouwer, Joukheer A. W. L. Tjarda, 997, 1007
Van Zeeland, Paul, 702–703, 714–715, 718, 739, 741
Vargas, Getúlio Dornelles, 698–699, 791–792
Vargas-Gomez, Andres, 1413
Vaugh, Robert, 1692, 1705–1706
Vazna, Dr., 1536–1537
Vegetable tannins, 214–215, 219, 221, 223
Venezuela, 176, 616*n*, 1019, 1102, 1208, 1210, 1233, 1631, 1703–1704
Vernon, Raymond, 1179, 1195, 1198*n*, 1201*n*, 1202*n*, 1214*n*, 1220, 1337*n*, 1343*n*, 1365, 1443, 1476*n*
Vietnam (*see also* Indochina), 1207
Vignon, Lt. Gen. Juan, 781, 793
Vincent, John Carter, 1137
Voice of America. *See under* International information program.
Voorhees, Tracy, 339–340, 342, 348
Vorys, John M., 570, 572, 604, 608, 679, 681
Vyshinsky, Andrei Y., 508–509, 527, 534, 547, 572, 583, 588, 591–592, 594–595, 602–603, 605–606, 609, 611–612

Wadsworth, George, 2d, 348
Wainhouse, David W., 579, 678*n*
Waldock, Prof. C. H. M., 1688–1689, 1691, 1693, 1704, 1714
Walmsley, Walter N., 106, 109, 966*n*, 970–971, 1178–1180, 1213*n*, 1214*n*, 1652*n*
Walsh, Maj. Gen. Robert L., 895
War, global. *See under* National security policy.

War Department, 1709
Ward, Robert E., 1389–1390
Washington Conference, *1922*, 450
Watson, J. H. A., 542
Watts, Philip H., 94*n*, 176, 244
Webb, James E.:
  Armaments, regulation, U.S. policy regarding, 445, 448, 453–455, 566–567, 581, 583, 588, 591–593, 601
  Atomic energy, foreign policy aspects of U.S. development, 789–790
  Collective Measures Committee of the United Nations, U.S. policy regarding, 625, 666–667
  Foreign aid program, 277–283, 287–289, 294–295, 300, 315–316, 318–321, 327–328, 408, 437*n*
  General Agreement on Tariffs and Trade, 1273, 1393–1395, 1399–1401, 1411–1412, 1423–1424, 1432–1433, 1453, 1480, 1482–1483, 1488–1489, 1518, 1523–1526, 1546–1547, 1549–1551
  International information program, 902, 904, 907–908, 912*n*, 917–918, 922*n*, 923, 934, 936, 957, 959, 961–965
  Land reform in foreign areas, U.S. policy regarding, 1666*n*, 1671*n*, 1682–1684
  National security, U.S. objectives and programs, 89, 261
  Petroleum, U.S. policies regarding, 967*n*, 971, 976–977
  Point Four program, 1641, 1645, 1648, 1652, 1657*n*, 1659, 1661–1663
  Trade with the Soviet bloc, U.S. restrictions on, 1045, 1086–1093, 1109, 1179–1180, 1186–1192, 1195, 1201, 1214, 1216–1223
  Treaties of friendship, commerce, and navigation, modernization, 1236
Webster, William, 768
Weiss, Leonard, 1389–1390, 1464*n*, 1476–1477, 1484–1485, 1493*n*
Wells, Al, 750
Western Europe:
  Atomic energy items, control of exports to Soviet bloc, 685–687
  Defense, 10–11, 16, 20–21, 31–32, 39, 46, 65–66, 90, 154–155, 158, 188, 195, 200, 225, 234, 246, 260, 264*n*, 271–272, 309–311, 354, 366–369, 371–372, 449, 631, 770, 868, 874, 883, 976, 1057, 1502
  Rearmament, 251, 353–354, 1027, 1557
  Soviet threat, 35, 39, 185–186, 195, 197
  Trade with the Soviet bloc, restrictions on, 272, 686, 1004, 1010, 1027–1029, 1031, 1037, 1043, 1046–1047, 1049, 1060–1061, 1066–1068, 1074–1075, 1081, 1088, 1099, 1110, 1123, 1141, 1205–1206
Western Europe—Continued
  U.S. economic assistance, 264*n*, 266, 268–272, 276–277, 280–282, 291, 294*n*, 313–314, 316–317, 329, 336, 340, 345–347, 349, 352–355, 361, 363, 370–373, 411, 425–426, 429, 1574, 1576, 1641*n*
  U.S. military assistance, 264*n*, 266, 271–272, 313–314, 316–318, 320, 326–327, 329, 335–336, 352–353, 363, 372–373, 425–426, 429
  U.S. policy, 99–100, 266*n*, 943–944, 949
Western hemisphere. *See under* American Republics; National security policy.
Westinghouse International, 779, 789, 794
Wherry, Kenneth S., 1073, 1122, 1126
White, Ivan B., 968
White, Maj. Gen. Thomas D., 463, 875, 898
Wigglesworth, Richard B., 1109*n*
Wilcox, Francis O., 1168
Wiley, Alexander, 911*n*
Wilgress, L. Dana, 1007, 1318, 1335–1338, 1345, 1353, 1358, 1528, 1530
Williams, Sir Herbert, 692
Willis, George H., 1632–1633, 1636
Willkie, Wendell, 963
Willoughby, Woodbury, 1237, 1444–1445, 1484–1487
Wilson, Charles E., 40–42, 50–52, 58, 237, 239, 243, 254–260, 966*n*, 968, 969*n*, 971–972, 977–979, 1023, 1035*n*, 1054–1055, 1108, 1176*n*, 1207
Wilson, Harold, 1263, 1267*n*, 1306–1307, 1318, 1329*n*, 1337–1338, 1530*n*
Wilson, Woodrow, 450, 963
Wojnar, Mary C., 109
Wolf, Alfred C., 255
Wood, C. Tyler, 286, 296, 308*n*, 1632
Woodward, Stanley, 1483, 1486–1487, 1499
Wool, 214, 221, 1114, 1189, 1255, 1282–1283, 1285*n*, 1286–1287, 1289–1290, 1304–1305, 1307–1308, 1316*n*
Wooldridge, Rear Adm. Edmund, 33, 444–445, 449, 454, 463, 898
World Peace Council, 572
Wormser, Olivier, 1333
Wright, Robert B., 1049*n*, 1058–1059, 1065*n*, 1107*n*, 1128*n*, 1129*n*, 1139*n*, 1166–1169, 1174*n*, 1180*n*, 1202*n*, 1214*n*
Wright, William G., 177
Wrong, Hume, 92, 626, 809–814, 827–832, 834*n*, 841–849, 851–853, 855–862, 864, 897
Wyndham-White, Eric, 1370, 1385, 1387*n*, 1389–1390, 1392*n*, 1525–1526

Yingling, Raymund T., 1689, 1691–1694
Younger, Kenneth G., 1287, 1296
Yugoslavia (*see also* Country positions *under* Armaments, etc.; Atomic energy, international control): British economic aid, 374; Collective Measures Committee of the United Nations, member, 616*n*, 647, 671, 684; French economic aid, 374; Greece, policy toward, 374; guerrilla warfare experience, 84; International Monetary Fund quota, 1631; Italy, policy toward, 374;
Yugoslavia—Continued
opium production, 221; Soviet policy, 5–6, 20, 39–40, 87, 124, 197, 827, 839–840; strategic importance, 46–47, 124, 200; U.S. economic and military assistance, 291, 296, 317, 326, 330, 336, 349, 361, 365, 366*n*, 374, 418, 426, 1096, 1103, 1105, 1121, 1140, 1207, 1210, 1641*n*; U.S. policy, 22*n*, 39, 69, 141, 374, 580, 849, 851, 868, 887–888, 944

Zaglits, Oscar, 1311, 1313
Zinc, 214, 221, 1189

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